GLOBALIZATION
EVOLVING BUSINESS MODEL
QUESTIONING INVESTMENT BELIEFS
ALIGNING THINKING INCREASING COLLABORATION
IN-HOUSE ASSET MANAGEMENT
GLOBAL FOCUS REAL ASSETS
FORWARD LOOKING AND STRATEGIC protecting clients' wealth
long-term wealth creation

TENETS OF THE CAPITAL MARKETS HAVE FUNDAMENTALLY CHANGED

Annual Report 2012–2013

bcIMC Investment Management Corporation

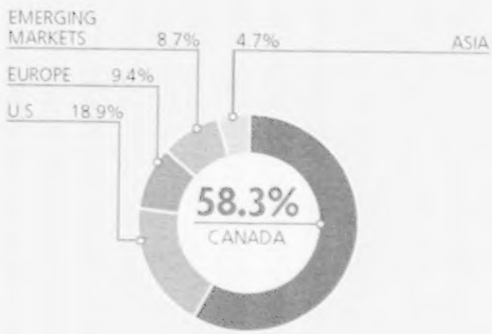
bcIMC Investment Management Corporation

CONTENTS

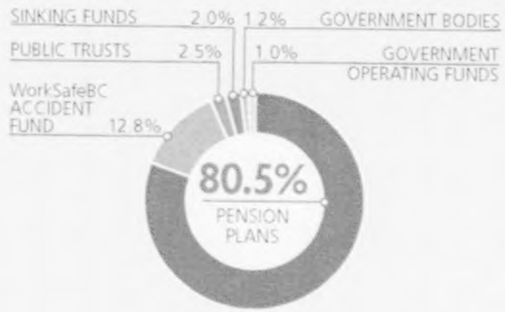
ABOUT bcIMC

With $102.8 billion of managed gross assets, the British Columbia Investment Management Corporation (bcIMC) is one of Canada's largest institutional investors within the global capital markets. We offer our public sector clients responsible investment options across a range of asset classes, including long-term strategic investment themes. Our investments provide the returns that are required to secure the future payments of our clients.

REGIONAL ALLOCATION OF ASSETS UNDER MANAGEMENT [1]
as at March 31, 2013



CLIENT PROFILE [1]
as at March 31, 2013

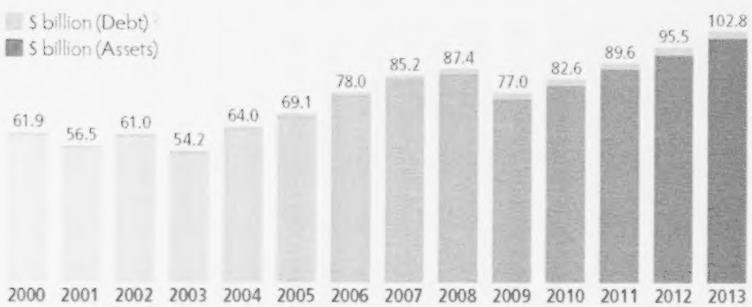


[1] Percentages based on net assets

TENETS OF THE CAPITAL MARKETS HAVE FUNDAMENTALLY CHANGED

Our theme highlights our view that the capital market tenets have fundamentally changed. Investing is inherently dynamic – as global markets evolve, so does our investment approach. A changing investment landscape presents new opportunities and risks and we are enhancing our strategies to create long-term wealth for our clients.

GROSS ASSETS UNDER ADMINISTRATION
($ billion) for the year ended March 31



bcIMC's domestic real estate program started issuing debt through unsecured notes, in 2004. Values reflected prior to 2004 represent mortgages held within bcIMC's domestic real estate program.

ASSETS UNDER ADMINISTRATION
for the year ended March 31, 2013

	$ BILLION	% (GROSS)	% (NET)
GLOBAL EQUITIES	28.8	28.0	28.8
FIXED INCOME	20.4	19.9	20.5
REAL ESTATE	17.8	17.3	14.7
CANADIAN EQUITIES	14.2	13.8	14.2
INFRASTRUCTURE & RENEWABLE RESOURCES	5.4	5.3	5.5
EMERGING MARKETS EQUITIES	5.0	4.8	5.0
PRIVATE PLACEMENTS	4.6	4.5	4.6
MORTGAGES	3.5	3.4	3.5
SHORT-TERM SECURITIES [1]	2.9	2.8	2.9
CURRENCY HEDGING	0.3	0.2	0.3
GROSS ASSETS	**102.8**	**100.0**	**100.0**
LIABILITIES (Real Estate Mortgages and Debt)	**3.2**		
NET ASSETS UNDER MANAGEMENT	**99.6**		

[1] The total value of short-term securities does not reflect the money market securities held in the pooled funds of other asset classes, which amounted to $1.4 billion as of March 31, 2013.

HIGHLIGHTS OF THE YEAR

- Added **$1.5 billion in value** for our pension clients this year
- **Returned 9.5 per cent** against a one-year combined benchmark of 7.8 per cent
- Increased our managed gross assets by **$7.3 billion**
- **Committed $3.4 billion to real assets** – infrastructure, renewable resources and real estate
- **Launched our thematic program** – analyzed two themes (food; health), created a thematic fund, and completed our first privately-negotiated agriculture investment
- Became a **Qualified Foreign Institutional Investor**, enabling bcIMC to invest in companies listed on Chinese stock exchanges
- **Started a multi-year project** to modernize our information technology networks and systems
- **Added 15 positions** to the bcIMC team
- Received an **unqualified audit opinion for the 3416 Report on Controls** for 2012–2013, providing clients with added assurance of our financial controls

CAPITAL MARKET TENETS HAVE FUNDAMENTALLY CHANGED

As a global investor, today's world is inherently more complex than in the past. As this challenges the core beliefs of the capital markets, we are revisiting conventional thinking and developing strategies for the new landscape.

INVESTORS ARE REWARDED FOR TAKING RISK
Today, regulations, liquidity, and capital flows have a greater influence on an asset's risk profile – these risks do not always increase returns.

DIVERSIFICATION BY ASSET CLASS IS BENEFICIAL
Spreading risk across multiple asset classes has traditionally been the best way of reducing risk – the performance of recent markets has proven otherwise.

MARKETS REFLECT ALL AVAILABLE INFORMATION
While markets are abundant with data, regulations, company mandates, and market participants distort the type and availability of information that long-term investors seek.

STANDARD DEVIATION IS A SUFFICIENT MEASURE OF RISK
Volatility is the traditional measure of investment risk – however, some risks within our integrated global economy cannot be easily modelled and captured by volatility.

MOTIVES OF SHAREHOLDERS AND A COMPANY ARE ALIGNED
Company directors are expected to act in the best interests of the company and its shareholders – sometimes the wellbeing of other stakeholders is placed in higher regard.

WHAT DOES THIS MEAN?

As capital markets evolve, the strategic allocation of assets as well as traditional investment models must be rethought. We cannot depend on the past to predict the future. And relying solely on quantitative risk models and calculated probabilities is no longer an option. Allocating assets and minimizing investment risks in today's markets involves qualitative thinking.

And to support this fundamental and integrated analysis of markets and assets, long-term investors will increasingly rely on internal research capabilities and enabling technology.

"History doesn't repeat itself, but it does rhyme."
Mark Twain

bcIMC'S RESPONSE

In markets where traditional theories and approaches may no longer hold true, bcIMC is stepping back to reflect on and identify new strategies that will provide our clients with their expected returns while also protecting the value of their capital.

Complex and integrated markets bring opportunities. In putting long-term capital to work, we look past short-term events and seek strategies and trends that create future value. Our outlook allows us to be patient – by using the advantage of time, we can make large investments in companies and assets that will generate reliable long-term returns.

Our approach is becoming more active and qualitative – thematic investing plays a key role. Using strategic and fundamental research, we will take advantage of long-term, global themes that will change future economies and present new investment opportunities. Our investments will span traditional asset classes, sectors and regions. And our global outlook allows us to benefit from the new engines of economic growth.

We are also revisiting the distribution of assets. Our increasing focus on real assets supports the reallocation of clients' assets from the more volatile public markets to more stable private markets.

OUR FOCUS FOR THE YEAR

bcIMC's business strategy sets the course for including more qualitative investment thinking and increasing in-house asset management. Our focus areas for 2012–2013 were:

DEVELOPING bcIMC'S THEMATIC PROGRAM

- Establishing a thematic research approach.
- Strategically assessing food and identifying potential investment opportunities.
- Creating the Thematic Public Equity Fund.
- Dedicating new expertise to the management of the fund.

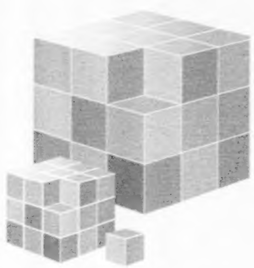
BROADENING bcIMC'S REAL ASSET FOCUS

- Refining our strategic investment and infrastructure program into two streams: renewable resources and infrastructure.
- Creating the Renewable Resources Investment Fund and transitioning existing assets.
- Narrowing the investment focus of bcIMC's infrastructure program.

ADVANCING bcIMC'S THEMATIC INVESTING APPROACH

WHAT IS THEMATIC INVESTING?

We live and work in a dynamic world – a growing global population, evolving technology, increasing pockets of wealth, an expanding middle class, and societal trends are changing economies and businesses. Thematic investing capitalizes on the forces and trends that will shape the economies of tomorrow. It involves identifying themes, developing a conviction about its influence on future economies, and then selecting the companies and assets that will play a role in molding the new tomorrow. It is forward-looking in its approach; investors cannot assume that the high-performing companies of today will replicate the results in the future, and in so doing generate the returns investors seek.



DEVELOPING bcIMC'S THEMATIC PROGRAM

A forward-looking investing approach requires strategic foresight that is informed by extensive research. We have harnessed our own expertise and worked with a global management consulting firm to develop our program. Together we have created a collaborative process for assessing trends, identifying themes, selecting opportunities worthy of pursuit, as well as determining our desired exposure.

Food is our first theme. By 2050, global demand for food is expected to rise by 70 per cent.[1] As emerging countries become wealthier, the dietary choices of their citizens will change. Meanwhile, regulatory reform, advancing technology, and climate change may alter food supply chains. Using our analysis, we identified 150 companies – private and public – as having investment merit.

We have integrated our clients' opinions into the program. The bcIMC Client Forum allowed clients to discuss global food trends with thought leaders. And through regular meetings, our clients helped shape the thematic investment policy.

[1] Food and Agricultural Organization of the United Nations – World Food and Agriculture to 2030/2050

FOCUS FOR THE YEAR – ESTABLISHING THE THEMATIC PUBLIC EQUITY FUND

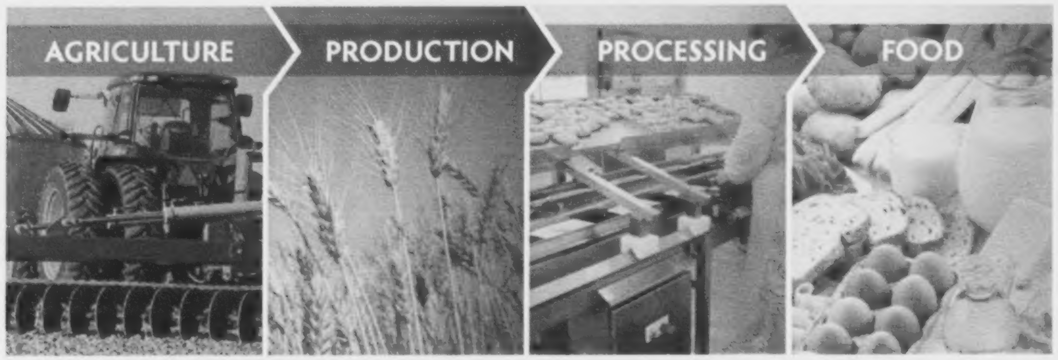
FUND OVERVIEW

Our thematic program, while mainly focusing on public equities, may also include privately-negotiated transactions.

The Thematic Public Equity Fund is an actively-managed fund. Through this fund, we will build a portfolio of concentrated holdings in companies that are well-positioned to take advantage of the food theme and subsequent themes. Our approach is global – we will invest in developed and emerging markets and across regions and industry sectors. Investments will be held for the medium to long term. Although the fund will be managed in-house, mandates may also be awarded to external managers.

We will measure our investment performance over a four-year period using two benchmarks. The Morgan Stanley Capital International World ex-Canada Net Index is our primary benchmark. The Canadian Consumer Price Index plus 3.5 per cent is our secondary benchmark.

IDENTIFYING OPPORTUNITIES ACROSS THE GLOBAL FOOD VALUE CHAIN



THEMATIC PUBLIC EQUITY TEAM

Developing a complex thematic portfolio requires a multi-disciplinary approach that integrates a range of skills and expertise. Our team includes the Capital Markets Research Group, portfolio managers from public equities, real estate, and private equity, economists, and senior investment professionals, including bcIMC's CEO/CIO. The collaborative process combines macroeconomic insight with specialized sector analysis and portfolio management skills.

We also added two new positions in 2012 to manage the investment side of our program. The thematic portfolio manager, supported by a thematic analyst, will actively build our first portfolio of concentrated public equity holdings in food and agriculture. The Capital Markets Research Group will support the process by providing independent and customized analysis of company-specific activities.

Front Row: Glenn P., Andrea Z., Terry C.
Back Row: Shane L.-P., Bryan T., Chris L., Rob B., Matthew J.
Not pictured: Scott B., Don P.

RESTRUCTURING SIIF – INCREASING REAL ASSET EXPOSURE

WHY REAL ASSETS?

Real assets are a key part of our response to the changing capital markets. Tangible, physical investments like regulated utilities, renewable resources, and land are ideally suited for pension plans. They have the potential to provide reliable cash flows, appreciate in value, and protect against inflation and short term volatility in public markets.

STRATEGIC INVESTMENTS AND INFRASTRUCTURE FUND

We have invested in infrastructure, strategic stocks, and timberlands since 2002. Originally created as a multi-asset fund, SIIF has provided strong multi-year returns. As the program matured, the justification for separating the strategies to allow for the differences in the risk-return profiles and approaches, strengthened. After consulting with clients, we restructured the fund in early 2013. Our Infrastructure and Renewable Resources program now offers clients distinct strategies with focused mandates and separate performance reporting.

RENEWABLE RESOURCES INVESTMENT FUND

bcIMC will build a portfolio of timber, agriculture, and other renewable assets. As a real asset strategy, this fund will complement client exposure to traditional stocks and bonds. We believe a growing global population will drive opportunities in this space – particularly agricultural lands. Our actively-managed fund will target a nominal return of 7.0 per cent. We transitioned existing assets into the fund in early 2013.

INFRASTRUCTURE FUND

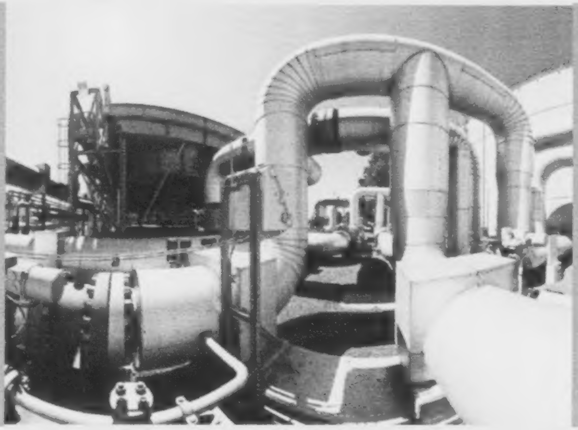
This fund primarily invests in privately-owned and managed infrastructure assets. bcIMC will continue to expand our portfolio of regulated companies in the water, wastewater services, energy generation and transmission sectors, as well as transportation. These companies typically operate in mature regulatory environments and provide opportunities for future capital investments. This actively-managed fund targets an 8.0 per cent nominal return.

TIMBERWEST FOREST CORP.

TimberWest Forest Corp. is uniquely positioned as western Canada's largest private timber and land management company. TimberWest is a leader in sustainable forest management and is committed to Vancouver Island communities. The Company complies with ISO 14001 and the Sustainable Forestry Initiative, and provides approximately 1,000 direct and 2,000 indirect jobs to workers on Vancouver Island. bcIMC first invested in TimberWest in 2009 and we eventually took the company private in partnership with the Public Sector Pension Investment Board in 2011.

OPEN GRID EUROPE GmbH

bcIMC and a group of long-term investors completed the €3.2 billion acquisition of Open Grid Europe (OGE) in 2012. As the operator of the longest regulated supra-regional natural gas transmission network in Germany, OGE transports about 70 per cent of the country's total national shipping volume. With assets that include 27 compressor stations and 12,000 kilometers of pipeline, OGE serves 450 national and international customers. Since OGE distributes natural gas from Russia and Northern Europe to customers throughout Europe, it is a core asset and an integral part of the European economy. Maintaining high standards of environmental management, occupational health and safety, and technical safety are key priorities. bcIMC is OGE's largest shareholder.



"The investment environment in which we are operating is more complex and dynamic than ever before. As many in the industry consider this to be the "new normal," it is essential that bcIMC's Board of Directors continues to focus on the company's strategic direction, strengthening its skills, and ensuring continuity at the executive level."

MESSAGE FROM THE CHAIR

A year later, and yet my main message is almost the same. The economic environment continues to be challenging and is one that may fundamentally differ from any in the past.

This environment increases the complexity of the Board's fiduciary duty. It brings new opportunities and different risks, all of which must be considered because they affect our governance and oversight role. We are required to have a deeper understanding of what is happening in the world and within the capital markets. More importantly, we need to assess what these changes might mean for bcIMC's overall strategy, its risk management and investment activities, as well as its reputation. To do so, directors must have insight into the new issues that could arise, and know what questions to ask. Directors will rely on their skills and business experience to assess the governance opportunities and risks that go hand-in-hand with increasingly complex activities. Our collective insight will allow us to ensure that the resources and systems are in place to support the complexity of bcIMC's investment activities and operations.

I want to welcome two new directors to the Board. Cheryl Yaremko – appointed in 2012 by B.C.'s Minister of Finance – has strong financial skills. As well, her experience sitting on a number of boards will bring significant business acumen to our discussions. Dominique Roelants – appointed in 2013 by the Board of Trustees for the College Pension Plan – will make significant contributions in the area of information technology, an increasingly important aspect of investment management. These appointments, combined with the reappointment of three of the remaining five board members, deepen our skill set and provide the continuity required to guide bcIMC through this challenging period.

I mentioned succession planning for the executive in last year's letter – it is a vital aspect of providing continuity in bcIMC. As this is an essential board responsibility, we devoted additional attention to it in the past year. While there is no expectation of any near term change, the position of bcIMC's Chief Executive Officer / Chief Investment Officer is fundamentally important and the Board decided that we required a more robust plan than the one that was previously in place.

We spent most of the year reviewing and enhancing the plan. And with the help of external facilitators and expert advisors, we identified the required skills for a new Chief Executive Officer / Chief Investment Officer and the ways to assess them, the appropriate recruitment processes, and also what needs to be in place post-hire to ensure a smooth and successful transition. Our discussions, combined with in-depth research, resulted in a very detailed plan that will guide the recruitment process, if and when it is required.

The Board acknowledges two departing directors: Anne Lippert – a provincial appointee – whose term ended in December 2012, served five years on the Board; and John Wilson – appointed by the Board of Trustees for the College Pension Plan – who served eight years. Both Anne and John worked diligently during their respective terms. Their contribution is greatly appreciated and we wish them well in their future endeavours.

In closing, the Board thanks the management and staff of bcIMC for delivering a 9.5 per cent combined pension plan return and generating $1.5 billion in added value while managing $102.8 billion of gross assets. This is a superb performance delivered by a talented group of professionals within a challenging economic environment while also focusing on responsible investing – thank you! And finally, we thank our clients for your continued support.

Rick Mahler
Chair of the bcIMC Board of Directors

"Last year I wrote about complexity and opportunity – this year's letter continues the same thought. I venture that next year I could well be talking about the same subject."

REPORT FROM THE CEO/CIO

A CHANGING WORLD

We have gone through, and will continue to go through, some massive shifts in the capital markets and the globalized economy. Much of this is as a result of trends that are unstoppable and long lasting.

The demographics of the world are one of the most significant of those trends, and they are changing in a number of ways. Absolute population size is the obvious one, with a projection of nine billion people by 2050 – this growth is taking place in the new economies. The middle class in the new economies is also growing, while at the same time we are seeing the demise of the middle class in the developed economies.

Perhaps most concerning is how the age distribution around the world is also shifting. I worry that there will not be enough jobs in the slower growing economies of the developed nations – particularly for the youth of our society. We are already seeing unacceptable levels of unemployment in some European countries. The new economies with their youthful populations will grow more quickly, as will their internal consumption.

Given these kinds of trends, it is also our view that the basic tenets of the capital markets have now shifted or changed, requiring us to question and re-examine these tenets.

For example, a basic tenet such as "investors will be rewarded for taking on more risk" isn't necessarily true anymore. There are a host of risks in the markets that are not reflected in volatility. Currency, regulatory and political risks, as well as liquidity and sovereign bond risks can have significant consequences on a global portfolio. Some risks are not transparent, as we discovered in the global financial crisis.

Another tenet to question is the one that says "diversification by asset class is beneficial." While this may be true in some markets, there are many cases – especially during market extremes such as a crisis – where seemingly unrelated assets will move together in the same direction. Forecasting future portfolio returns has always been difficult, but when one is looking at risk in a broader and more global context (including currency, regulatory, political, and wide ranging business practices) and markets (public assets) being highly correlated, there is a problem. We believe the tenet of diversification to be a good thing, but we can no longer rely on the Modern Portfolio Theory and the Capital Asset Pricing Theory. We need to measure our risks in a broader and more qualitative framework and look for uncorrelated sectors of the economy.

INVESTMENT IMPLICATIONS

So what are the investment implications of these changes?

To begin with, we believe that higher growth economies should deliver superior investor returns absent of risk considerations. As generating long-term wealth for our clients is our responsibility, bcIMC wants to ensure that our clients can participate in this higher growth. We can accomplish this in two ways – firstly by investing directly in these growth economies and secondly, through companies that sell into these markets thereby giving our clients an indirect exposure.

bcIMC is well on our way to investing more of our clients' assets in these emerging economies. We now have public and private market exposure and hold real estate assets in some of these regions. This represents 8.7 per cent of our managed net assets at year-end, up from 7.6 per cent a year ago. During the year we received our Qualified Foreign Institutional Investor status from China and were granted an investment quota. bcIMC is now entitled to invest in companies based in mainland China that trade on stock exchanges such as Shenzhen and Shanghai. Our newly established Indexed Emerging Markets Equity Fund provides our clients with further opportunities to gain exposure to these emerging economies.

Our move into thematic investing is another way in which bcIMC is adapting to the changing environment. We have made great progress in advancing our thematic investing program and expect that it will contribute to generating long-term wealth for our clients. During the year we gained client and board support for the thematic program and we advanced the research and development of our food and healthcare themes. We hope that these new themes will provide investment opportunities that deliver good returns for our clients over long periods of time.

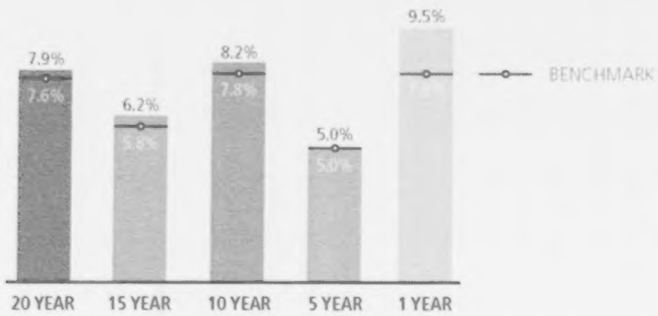
We also understand and accept that cities will be powerful economic drivers. bcIMC hired resources to conduct in-depth research and analysis of global cities and we expect that our investing activity in 2014 will be guided by this analysis.

Our strategic and fundamental research and analysis will allow bcIMC to identify investment opportunities that are in our clients' best financial interests.

bcIMC is dedicating more time and effort to developing a better and more qualitative way of strategically allocating our clients' capital. There are many more risks that face a global investor. We also know that many investors and market participants, such as high frequency traders, have very different views about risk. As an investor with a long-time horizon, we favour investments that have high barriers to entry, will have strong cash flows, and have strong capabilities at the management and board levels. There are sectors, such as infrastructure, where we can put our capital to work for long periods of time. Then there are also high growth sectors, such as technology, where being very nimble, understanding that today's hot ideas may not be lasting, and that investing for shorter periods is the required course of action.

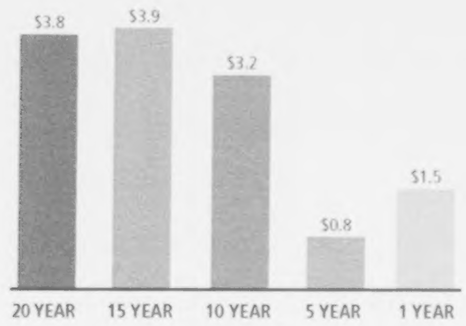
Capital market reform continues to be front and centre of our monitoring activities. The regulations have the potential to alter the investment landscape – whether it is as a result of the *Dodd-Frank Act* in the U.S. or Basel III's initiatives to strengthen capital requirements of banks around the world. Meanwhile, initiatives such as the introduction of non-viable contingent capital bonds in Canada have the potential for misleading investors – many may not know that the regulators can easily convert the bonds into equity.

bcIMC ANNUALIZED PENSION RETURNS
Returns for the periods ended March 31, 2013



Balanced portfolio returns are shown net of fees

CUMULATIVE VALUE ADDED BY bcIMC ($ billion)
Total pension portfolio return minus benchmark return for the periods ended March 31, 2013



Unfortunately, many of these reforms may be too much unnecessary regulation and too late. In my opinion, financial practices haven't changed materially since 2008. Furthermore, these regulations are ineffective in changing the risky behaviour of fiduciaries. bcIMC strives to be fully aware of these issues so as to avoid risking our clients' capital, while at the same time finding safe investments for our clients. Reform may also present new opportunities – for instance, changes to the banking system may allow institutions like ours to gain a greater share in the commercial mortgages industry, as well as provide opportunities for financing projects.

Finally, investors in North America have enjoyed a significant tailwind since 1981 – 30 years of falling interest rates have helped the markets. We don't see interest rates going lower than these historical lows and anticipate that rates will rise over the next couple of years. As a result, we are at our lowest allocation to fixed income ever – all other asset classes have increased in their asset allocation weighting.

YEAR IN REVIEW

Fiscal 2012–2013 was a good year for bcIMC. Returns were strong and risk appropriately managed. For the one-year period ending March 31, 2013, our clients' combined pension return was 9.5 per cent against a combined market benchmark of 7.8 per cent. Our investment activities generated $1.5 billion in additional value for our pension clients. Domestic real estate and public equities were the primary drivers of our performance.

Over the 10-year period, the annualized return was 8.2 per cent against a benchmark of 7.8 per cent. bcIMC added $3.2 billion in value relative to the benchmark over this period.

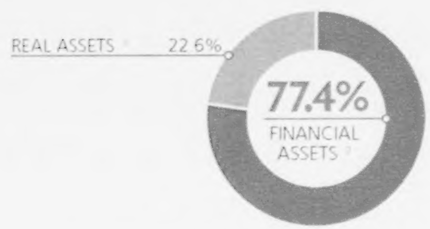
It was a good year for investment activity. We committed $3.4 billion to investments that span real estate, infrastructure and renewable resources. Notable deals within this real asset space included the acquisition of the Canada Post site in downtown Vancouver and Open Grid Europe GmbH. By year-end, 22.6 per cent of bcIMC's gross managed assets were allocated to real assets – a percentage that will steadily increase as we move forward. We also committed $860 million to new commercial mortgages and $800 million to private equity assets. Over $600 billion in fixed income and foreign exchange trades was transacted throughout the year.

It was also a year of transition – we wound down our suite of EAFE products (Europe, Australasia, and Far East) as many of our clients have moved towards a global equity framework. This involved transitioning 17 managers and mandates and reallocating $6.7 billion of assets.

We were very active in the environmental, social, and governance front, making our voice heard with 120 companies on corporate governance and their social license. The issue of governance is one of bcIMC's priorities – executive compensation, in particular linking pay to performance, formed a central part of our engagement activity. The composition of a board was another important topic and bcIMC took a public stand in the contested board elections of CP Rail and Agrium Inc. By interacting with these companies, we play a role in raising their awareness of environmental, social, and governance matters that could affect the company's long-term value and cash flows.

REAL VS. FINANCIAL ASSETS UNDER ADMINISTRATION

as at March 31, 2013



[1] Financial assets are defined as Fixed Income, Public Equities, Mortgages and Private Placements

[2] Real assets are defined as Infrastructure, Real Estate and Renewable Resources

bcIMC will continue to collaborate with many like-minded long-term investors on responsible investing matters and also impress upon government the value of long-term capital to the Canadian markets and economy. bcIMC's investments, which are done on behalf of our clients, create many jobs (directly and indirectly) – whether it is in the construction industry for real estate or infrastructure, the growing hospitality industry, or timberland investments on Vancouver Island.

bcIMC continued to deliver quality client service, and we also strengthened the resources within this function. We enhanced our risk management and actuarial expertise – skills that play a key role for asset-liability reviews. Training and the ongoing mentoring of our staff is another way in which we strengthen our resources.

REPORT FROM THE CEO/CIO

2012 was the first year of a planned multi-year upgrade to our systems architecture, networks, and applications. Investing is a dynamic activity – changing market conditions, global trends, emerging businesses, and varying risk profiles contribute to the changing landscape. As a result, it is vital that our systems, networks and data support our investment professionals in assessing investment risk and opportunities while managing our clients' capital.

We added 15 new positions and recruited 22 people with a variety of skills and backgrounds during the year. At no time in bcIMC's history has the company had such a dynamic, skilled team of experts fully dedicated to fulfilling our fiduciary responsibility for our clients. I am proud of my colleagues and their dedication.

To accommodate the planned growth of bcIMC, our landlord is developing a mixed-use building that includes new office space for bcIMC. The ground was broken in 2012 and we anticipate that this additional space will be available by 2015.

LOOKING FORWARD

Over the next 12 to 18 months, I expect financial markets to exhibit more stability than we've seen over the last year and a half, a period of considerable volatility as we moved from near-panic about a euro-zone collapse to conditions bordering on euphoria in equity markets early in 2013. Still, significant challenges on the global economic front remain and this will likely temper the renewed enthusiasm for equities at some point. Similarly, I do not expect the bond market to sell off and interest rates to back up suddenly over this period, given modest global economic growth, a general lack of inflation pressures in the face of high unemployment, and other indicators of excess capacity. However, while we may be able to see where we will end up in 18 months with some degree of accuracy, experience tells us that swings in market sentiment can make the path there quite bumpy. Even though many significant threats to global growth have eased, financial market volatility may rise as the time approaches for central banks to unwind extraordinarily easy monetary conditions.

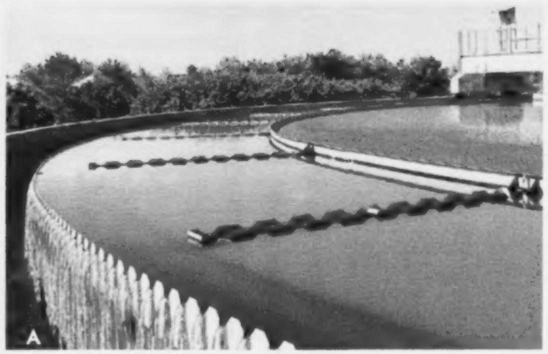
ACKNOWLEDGEMENTS

2012–2013 also saw the retirement of a wonderful colleague, Daryl Jones, the head of our Research and Risk Measurement Department. Daryl had been with bcIMC ever since he graduated from university and provided thoughtful and wise advice. Together with our clients and my colleagues, I wish Daryl the very best with his retirement. At the same time, I welcome Michelle Ostermann as bcIMC's new Senior Vice President, Research and Risk Measurement.

I would also like to thank the Board and our clients' for their strong support.

Doug Pearce
Chief Executive Officer / Chief Investment Officer

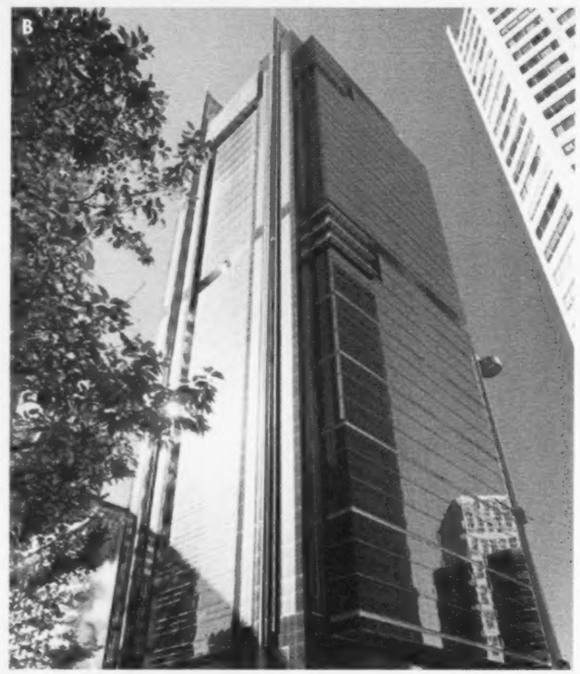
Creating long-term wealth for our clients begins with building a portfolio of quality assets



A Thames Water Utilities Ltd., U.K.'s largest water and wastewater services company – an infrastructure asset held since 2006

B Jamieson Place, Calgary, a 38-storey LEED Gold office complex – development completed in 2010

C Swissport International Ltd., a leading provider of ground services to the aviation industry – a private equity asset held since 2011



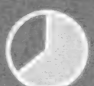
bcIMC IN BRIEF

$102.8 BILLION
OF MANAGED GROSS ASSETS

4TH LARGEST
PENSION FUND MANAGER IN CANADA

39 INSTITUTIONAL CLIENTS

65 OPERATING POOLED FUNDS

63.0% 
OF ASSETS MANAGED IN HOUSE [1]
87 EXTERNAL MANAGERS WITH SPECIALIZED MANDATES

[1] Calculated on a net asset basis

MANAGEMENT'S DISCUSSION AND ANALYSIS

bcIMC is a leading provider of investment management services to British Columbia's public sector. Established under the *Public Sector Pension Plans Act*, we offer investment products across a wide range of asset classes.

Our main responsibility is to deliver investment returns that help our institutional clients build a financially secure future. Returns are important – for every $100 a pension plan member receives in benefits, over $70 is provided by our investment activity. We focus on generating long-term wealth while protecting the value of their capital.

OUR CLIENTS

bcIMC has long-standing relationships with clients who have entrusted us with their funds.

Public sector pension plans are our largest client group, making up 80.5 per cent [1] of the assets. Our activities help finance the retirement benefits of more than 500,000 plan members. Clients establish the investment framework and set the performance targets for their pension fund. They determine the asset allocation framework and the diversification of the portfolio. Some plans may take greater market and liquidity risk to enhance long-term returns.

Government bodies account for 14.0 per cent [1] of our assets. We help finance the insurance and benefit funds for over 2.2 million workers in British Columbia. Publicly administered trust funds total 2.5 per cent [1] of our assets. Some of these clients prioritize capital protection, while others look for liquidity and short-term performance. Sinking and government funds represent 3.0 per cent of our managed assets.

We invest in line with our clients' investment frameworks and policies, as well as applicable legislation and regulations. bcIMC is accountable to clients for both fund performance and management fees. We operate on a cost-recovery model. bcIMC's costs are not subsidized by the Province of British Columbia.

OUR INVESTMENT DISCIPLINE

We are legally and contractually required to invest our clients' assets in their best financial interest – that is our fiduciary responsibility.

We follow a strategic discipline of investing long-term, patient capital. Our approach is prudent. We make limited use of leverage, use derivatives primarily for risk reduction and cash management purposes, and do not short sell

[1] Calculated on a net asset basis

bcIMC is one of Canada's largest institutional investors – with a strong Canadian foundation, our global presence extends to the United States, Europe, Asia, South America, and Australia

equities. Maintaining our discipline, while focusing on due diligence and diversification allows us to manage market risks. bcIMC invests in assets that provide reliable cash flows over the long-term. Our strategies range from indexing to active asset management.

bcIMC brings more than capital to our investments. We believe that responsible investing allows us to manage material investment risks and improve long-term returns. To safeguard clients' assets, we expect our portfolio companies to focus on stewardship and long-term value creation.

As skills matter, we select the best-in-class business partners and investment managers.

OUR INVESTMENT FUNDS

Our product line is diversified by asset class, region, and style. Like a mutual fund, the pooled fund combines our clients' contributions and is then invested in securities and other assets. This structure provides economies of scale, allowing clients to obtain a more diversified portfolio at a lower cost than investing individually. bcIMC holds all assets in trust; clients do not own the individual assets within their portfolio.

As capital markets continue to evolve, we adapt our product line to ensure clients benefit from new investment opportunities. This year, bcIMC's Board approved investment policies for four new funds:

- The Indexed Emerging Markets Equity Fund will hold publicly-traded companies in rapidly developing economies. This internally managed fund has a five to 10-year investment horizon and is benchmarked against the Morgan Stanley Capital International Emerging Markets Net Index.
- The Indexed Global ESG Equity Fund holds companies with high environmental, social and governance ratings. The fund closely matches its benchmark, the provisional Morgan Stanley Capital International World ESG Index, and has a mid-term investment horizon.
- The Renewable Resources Investment Fund invests in long-term real assets with the potential for reliable cash flows. Investments are global in scope and may span across asset classes.
- The Thematic Public Equity Fund provides clients with a concentrated portfolio of theme-based holdings that are determined by long-term global trends. Although internally-managed, mandates may be awarded to external managers.

We wound down the Indexed EAFE Equity Fund, the Enhanced Indexed EAFE Equity Fund, and the Active EAFE Equity Fund. The Strategic Investments and Infrastructure Fund was restructured into the Infrastructure Fund and Renewable Resources Investment Fund.

OUR VISION

We will be the responsible fund manager of choice for the British Columbia public sector, at the forefront of the industry and consistently exceeding the performance and service expectations of our clients

OUR MISSION

We are accountable to our clients to provide professional fund management for all asset classes, exercising the highest standards of prudence and fiduciary responsibility. We deliver to our clients the highest return for a given level of risk, at a reasonable cost, while recognizing our responsibility to the broader society through our governance, social and environmental related activities.

OUR VALUES

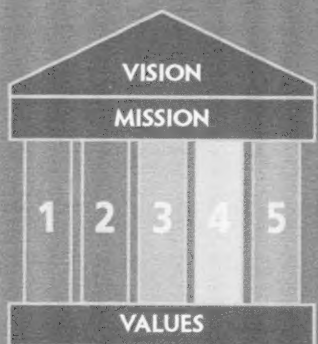
RESPECT: We treat others with courtesy, professionalism and dignity. **INTEGRITY**: We act fairly and ethically in all our dealings. **HONESTY**: We are sincere and candid in our accountability to clients and other stakeholders. **TRUST**: We earn client confidence by acting with prudence, diligence and transparency.

OUR KEY ACHIEVEMENTS FOR 2012–2013

OUR STRATEGIC FOUNDATION

bcIMC's investment management activities and supporting operations are guided by our Vision, Mission and Values.

Our business is based on five pillars: Investment Returns, Risk Management, Responsible Investing, Client Services, and Building bcIMC. We integrate these pillars into our business planning and reporting processes. The pillars also provide a framework for evaluating corporate and staff performance.



PILLAR ONE: INVESTMENT RETURNS

Generate client wealth, meet our clients' investment objectives and protect their capital.

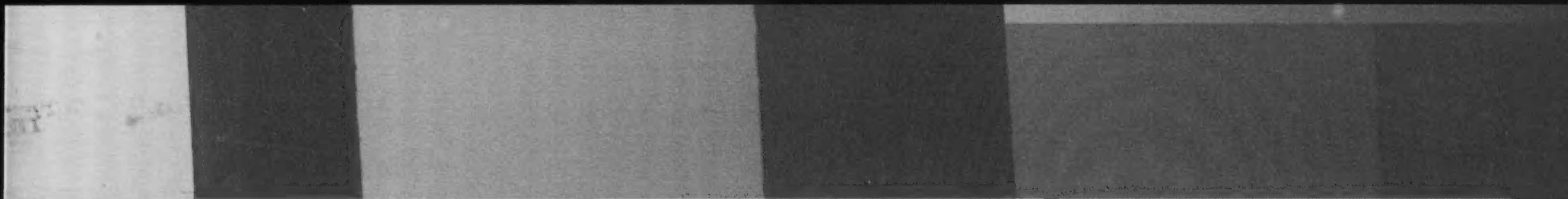
- Returned 8.2 per cent against a combined pension client benchmark of 7.8 per cent over the 10-year period.
- Added $1.5 billion in value, net of fees, in a one-year period.
- Domestic real estate and our public equities portfolio drove one-year returns.[1]
- Increased the internally-managed equity assets by over $1.5 billion, saving about $4.0 million in external manager fees.
- Closed on significant real asset investments: Open Grid Europe GmbH (Germany); Canada Post site – a 2.98-acre city block (Vancouver); Royal Bay – a 296-acre site of developable land (Greater Victoria).
- Committed $860 million to new commercial mortgages and $800 million to private equity assets.

[1] Refer to pages 22 to 24 for full details of the returns and benchmarks for all pooled funds.

PILLAR TWO: RISK MANAGEMENT

Continue to identify and manage enterprise-wide and portfolio risks that affect investment outcomes and impact operational efficiency.

- Processed over 124,600 transactions, moved $889 billion in cash, and settled $106.7 billion in foreign exchange with a high level of accuracy and no defaults.
- Revised the real estate environmental due diligence process.
- Ongoing assessment of securities legislation and taxation and their implications.
- Continued streamlining processes to reduce operational risk.
- Enhanced compliance by implementing call recording on trading phones.
- Augmented our Business Continuity Plan and completed business impact assessments for all departments.



PILLAR THREE: RESPONSIBLE INVESTING

Continue to integrate environmental, social, and governance issues into our investment analysis and decision-making processes, as well as our culture.

- Met and communicated with 120 companies on corporate governance, climate change and human rights themes.
- Supported the PRI on anti-corruption engagement. Topics included best practices and enhancing awareness of risks relating to bribery.
- Ranked first in North America, and sixth globally, by the Asset Owners Disclosure Project in its global climate investment index that assessed asset management and climate risk disclosure.
- Park Place, a 35-storey Class A office tower, received LEED Canada Existing Building: O&M Gold certification – the first in Vancouver to receive this designation.
- Funded the Indexed Global ESG Equity Fund that holds companies with high environmental, social and governance ratings.

PILLAR FOUR: CLIENT SERVICES

Continue to provide exemplary service to our clients by creating a culture of service and exceeding our clients' return and service expectations, ensuring we remain their manager of choice.

- Met client needs by creating a thematic investing strategy and adding four new funds giving exposure to themed assets, renewable resources, emerging markets, and companies with high ESG ratings.
- Completed a multi-year initiative of assisting all pension clients with revising their strategic asset allocation policies into a single global equity allocation.
- Discussed global trends and the thematic program at the bcIMC-Client Forum.
- Collaborated with research partners on developing an alternative strategic asset allocation approach.
- Held 120 client-meetings, including seminars, orientations, and webinars.
- Supported our clients in their move to electronic reporting.

PILLAR FIVE: BUILDING bcIMC

Build a culture of wealth creation that is supported by a forward-looking and global mindset.

- Expanded the breadth and depth of the bcIMC team by adding 15 new positions.
- Funded nearly 395-person days of job-specific conferences and specialized workshops; delivered 68-person days of onsite training.
- Started implementing the multi-year project to modernize our information technology network and systems.
- Developed project plan for enhancing and managing our enterprise data requirements.
- Enhanced the internal research platform to facilitate improved access to information, and adding risk reporting.
- Realigned the reporting of five functional areas from the Chief Investment Officer / Chief Executive Officer to the Chief Operating Officer.

CAPITAL MARKETS OVERVIEW

Globally, things started out looking better than 2011–2012. Yet as events unfolded, the economic recovery was still very fragile. Initial optimism faded as economies slowed and recurring problems – including those in the euro-zone – caused investors to become concerned once again.

PILLAR ONE: INVESTMENT RETURNS

In the U.S., there was political gridlock and electoral positioning almost all year, with Congress completely polarized and the Republicans divided amongst themselves leading up to the presidential elections. The subsequent re-election of President Obama meant "status quo" for policies such as health care and regulatory reform. This in turn provided the equity market with some short-term stability. It responded by continuing to rise throughout the remainder of the fiscal year.

However, that did not mean that there were not issues impacting investor confidence – with perhaps the biggest being J.P. Morgan's "London Whale" scandal that cost over U.S.$6 billion. Although the loss itself did not threaten the bank, it spoke volumes to market participants, politicians, and the public about the governance of large, systemically-important financial institutions. It also raised questions of whether these institutions are simply too big and complex to manage.

In the U.K., the big debate during the past year was over the government's commitment to austerity and whether its approach was making the economy and public finances worse rather than better. While that policy stance eased somewhat in the first quarter, the LIBOR rate-fixing scandal that followed – and the dismissal of Barclay's Chief Executive Officer – significantly hurt market credibility.

Meanwhile, the euro-zone crisis re-emerged. The numerous summits made limited progress until, late in the year, the European Central Bank stated that it would do whatever it took to ensure financial stability. The subsequent "Outright Monetary Transactions" program – which allowed the buying of unlimited amounts of short-term debt from troubled countries that asked for help and agreed to a plan to reduce debt – was the most significant market event of the year. It took European risk "off the table" (at least temporarily) and borrowing costs for Spain and Italy fell. This was slightly tempered by the results of France's presidential election. Markets grew nervous about France's fiscal stability after President Hollande appeared unwilling to do anything about deficits except to raise taxes on the wealthy.

In Japan, big political changes affected the markets. The ruling party lost the fall election after three years in office and the new Prime Minister started focusing on getting the economy moving and ending deflation. As part of that, a new Bank of Japan governor was appointed who promised to achieve a 2.0 per cent inflation target.

The best way to characterize the capital markets in 2012–2013 is two steps forward, one step back … showing that we are not out of the economic woods yet

GLOBAL EQUITY MARKET PERFORMANCE
Major market total return indexes (April 1, 2012 = 100)

The BRICs – which had been prime territory for risk-taking investors – fell out of favour as their economic growth cooled. There was a roller coaster of market sentiment towards China as authorities looked to produce economic and financial stability in the run-up to the leadership transition. While that transition was successfully managed, the Bo Xilai political scandal and China's increased aggression in territorial disputes over rocky islands in the East China Sea influenced investors' confidence. In Brazil, growth fell from over 7.0 per cent in 2010 to 0.7 per cent last year, while inflation climbed. This bad mix saw investors turn away from its equity market. A similar trend was seen in India, where growth slowed sharply, inflation and the budget deficit rose and the lack of a political push on reform cooled investors' interest.

Events in the Middle East showed that the Arab Spring phenomenon was far from over with the potential to roil the energy sector and capital markets. From civil war in Syria, to protests over the newly-elected president in Egypt, and a week-long war in the Gaza strip following the assassination of a Hamas military leader, the stability of this major oil producing region remained a concern for investors.

Canadian economic growth and the country's equity market came under pressure, despite the improvement in conditions in the U.S. Canada is seen as a play on global growth, and particularly on emerging markets – with BRICs under-performing expectations, this put downward pressure on commodity markets and depressed Canadian resource stocks, which make up a large portion of the Canadian equity market. Concerns about whether some major planned resource projects and related transportation infrastructure investments would be acceptable to the public, regulators, and politicians also weighed on Canadian stock prices.

FIXED INCOME

Annualized returns and benchmarks (%) for the periods ended March 31, 2013.

- Pooled fund returns, net of fees, are in black
- Benchmarks are presented in blue

POOLED FUND ANNUALIZED RETURNS AND BENCHMARKS

SHORT-TERM	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
Short-Term Fund One	3.4	2.9	2.2	1.1	0.9	1.0
DEX 30-Day Treasury Bill Index	3.2	2.7	2.1	0.9	0.8	0.9
Short-Term Fund Two	3.7	3.2	2.4	1.4	1.1	1.3
DEX 91 Day Treasury Bill Index	3.5	2.9	2.2	1.1	0.9	1.0
Short-Term U.S. Fund Three	2.2	0.4	(1.9)	0.1	0.0	1.6
Citigroup 30 Day Treasury Bill Index	1.8	0.0	(2.1)	(0.0)	0.1	1.7
Short-Term Bond Fund	–	4.8	4.2	3.6	3.2	2.2
DEX Short-Term Government Bond Index	–	4.8	4.2	3.6	3.1	2.2
MORTGAGES						
Fixed-Term Mortgage Fund	–	6.8	6.4	6.5	6.3	5.4
DEX Short Term Bond Index +1%	–	6.1	5.6	5.2	4.6	3.9
Construction Mortgage Fund	–	6.3	5.8	5.0	4.9	4.8
DEX One Year Treasury Bill Index +1%	–	4.5	3.8	2.9	2.4	2.3
Mezzanine Mortgage Fund	–	–	8.6	8.4	3.9	8.8
DEX One Year Treasury Bill Index +2.5%	–	–	5.4	4.4	3.9	3.8
BONDS						
Canadian Universe Bond Fund	–	–	–	6.3	6.7	4.7
DEX Universe Bond Index	–	–	–	5.9	6.4	4.5
Global Government Bond Fund	–	–	–	–	5.2	5.2
JP Morgan Government Bond Index Global (Traded)	–	–	–	–	5.5	5.5
Canadian Real Return Bond Fund	–	–	–	–	–	1.6
DEX Real Return Bond Overall Index	–	–	–	–	–	2.1

PUBLIC EQUITIES

Annualized returns and benchmarks (%) for the periods ended March 31, 2013, except where noted.

- Pooled fund returns, net of fees, are in black
- Benchmarks are presented in blue

CANADIAN PUBLIC EQUITY	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
Indexed Canadian Equity Fund	9.1	6.2	10.2	1.9	4.6	6.2
S&P/TSX Composite Index [1]	8.9	5.8	9.9	1.6	4.3	5.9
Enhanced Indexed Canadian Equity Fund	–	–	10.4	2.2	4.8	6.6
S&P/TSX Capped Composite Index [2]	–	–	9.9	1.6	4.3	5.9
Active Canadian Equity Fund	9.5	6.9	9.7	2.5	4.6	6.5
S&P/TSX Capped Composite Index [3]	9.1	6.1	9.9	1.6	4.3	5.9
Active Canadian Small Cap Equity Fund	–	–	–	5.4	10.7	11.1
S&P/TSX Small Cap Index [4]	–	–	–	(2.4)	0.6	(8.3)

GLOBAL PUBLIC EQUITY						
Indexed Global Equity Fund	–	–	–	–	–	14.7
MSCI World ex-Canada Net Index	–	–	–	–	–	14.1
Indexed Global ESG Equity Fund [5]	–	–	–	–	–	–
Provisional MSCI World ESG Index	–	–	–	–	–	–
Enhanced Global Equity Fund	–	–	–	–	–	15.3
MSCI World ex-Canada Net Index	–	–	–	–	–	14.1
Active Global Equity Fund	–	–	–	–	7.2	15.2
MSCI World ex-Canada Net Index	–	–	–	–	8.9	14.1
Thematic Public Equity Fund [6]	–	–	–	–	–	–
Primary: MSCI World ex-Canada Net Index over four years	–	–	–	–	–	–
Secondary: Canadian Consumer Price Index +3.5% over four years	–	–	–	–	–	–
Indexed U.S. Equity Fund	–	2.0	4.6	5.6	12.7	15.8
S&P 500 Total Return Index	–	2.0	4.6	5.6	12.7	15.8
U.S. Social Index Fund	–	–	–	6.3	11.4	16.4
MSCI KLD 400 Social Index	–	–	–	6.4	11.6	16.6
Enhanced Indexed U.S Equity Fund	–	–	4.5	5.2	12.4	15.6
S&P 500 Total Return Index	–	–	4.8	5.6	12.7	15.8
Active U.S Equity Fund	–	2.4	4.9	5.6	11.2	16.9
Russel 1000 Index Total Return Index	–	2.3	5.0	5.9	13.0	16.3
Active U.S Small Cap Equity Fund	–	–	–	6.7	13.4	15.7
Russell 2000 Total Return Index	–	–	–	8.0	13.5	18.2
Indexed European Equity Fund	–	–	–	(1.9)	5.3	12.8
Enhanced Indexed European Equity Fund	–	–	–	(2.6)	4.8	12.9
Active European Equity Fund	–	–	–	(3.5)	4.5	13.9
MSCI Europe Net Index	–	–	–	(2.3)	4.9	12.4
Active Asian Equity Fund	–	–	–	–	5.9	10.4
MSCI All Country Asia Pacific ex-Japan Net Index	–	–	–	–	6.9	12.7
Indexed Asian Equity Fund	–	–	–	–	–	14.7
MSCI Pacific Net Index	–	–	–	–	–	14.7

EMERGING MARKETS						
Active Emerging Markets Equity Fund	–	–	–	1.2	5.5	7.1
MSCI Emerging Markets Net Index	–	–	–	0.9	3.3	3.6

[1] The Indexed Canadian Equity Fund benchmark was changed to the S&P/TSX Composite Index on October 1, 2012

[2] The Enhanced Indexed Canadian Equity Fund benchmark was changed to the S&P/TSX Capped Composite Index on October 1, 2012

[3] The Active Canadian Equity Fund benchmark was changed to the S&P/TSX Capped Composite Index on October 1, 2012

[4] The Active Canadian Small Cap Equity Fund benchmark was changed to the S&P/TSX Small Cap Composite Index on October 1, 2012

[5] The Indexed Global ESG Equity Fund was funded on January 17, 2013

[6] The Thematic Public Equity Fund was funded on March 28, 2013

PRIVATE PLACEMENTS, REAL ESTATE, AND STRATEGIC INVESTMENTS AND INFRASTRUCTURE

Annualized returns and benchmarks (%) for the periods ended March 31, 2013, except where noted.

- Pooled fund returns, net of fees, are in black
- Benchmarks are presented in blue

POOLED FUND ANNUALIZED RETURNS AND BENCHMARKS

PRIVATE PLACEMENTS	20 Year	15 Year	10 Year	5 Year	3 Year	1 Year
Private Placement Program [7]	–	6.2	7.4	6.0	12.3	13.7
MSCI All Country World Net Index +2% / BMO Small Cap Index 10 Year Annualized +4.5%	–	12.1	14.8	9.0	8.0	15.5
REAL ESTATE						
Realpool Domestic	10.1	10.3	11.1	6.1	13.4	11.8
Canadian CPI +4%	5.9	6.0	5.8	5.8	6.1	5.0
Realpool International [7]	–	–	0.5	(6.7)	4.3	2.1
Canadian CPI +7%	–	–	8.8	8.6	8.8	7.8
STRATEGIC INVESTMENTS AND INFRASTRUCTURE						
SIIF (Combined Program)	–	–	–	8.9	10.4	9.0
Canadian Public Equity [8]	–	–	–	2.5	6.7	8.5
Private Placements [7]	–	–	–	12.3	12.2	9.6
Real Estate [7]	–	–	–	(4.4)	(3.1)	(14.6)
8% Nominal Benchmark	–	8.0	8.0	8.0	8.0	8.0
INFRASTRUCTURE AND RENEWABLE RESOURCES						
Infrastructure Fund [9]	–	–	–	–	–	–
8% Nominal Benchmark	–	–	–	–	–	–
Renewable Resource Investment Fund [9]	–	–	–	–	–	–
7% Nominal Benchmark	–	–	–	–	–	–

[7] The Private Placement, Realpool International, and Strategic Investment and Infrastructure assets (with the exception of the public equities component) are illiquid in nature, and as such, they are valued annually at December 31. The illiquid asset returns are calculated as at December 31, 2012 using the Horizon Internal Rate of Return methodology. These returns reflect the combined activity in all the vintage year pooled funds and WorkSafeBC Accident Fund's segregated investments for the performance period. Benchmark returns are calculated using the Time Weighted Rate of Return methodology. At the time of publishing the Annual Report, the returns for the illiquid assets are unaudited.

[8] The Canadian Public Equity portion of the SIIF Program was terminated on March 28, 2013

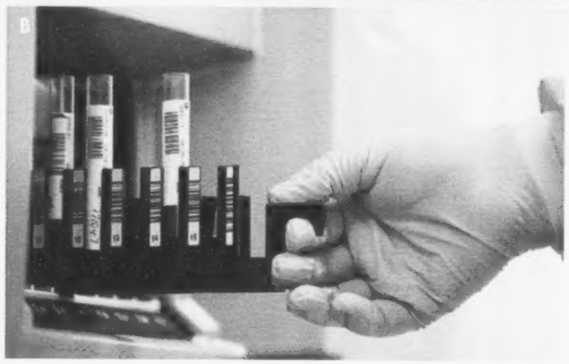
[9] The Private Placements and Real Estate component of the Strategic Investments and Infrastructure program were restructured into the Infrastructure Fund and the Renewable Resource Investment Fund on January 1, 2013

Strategically managing our clients' assets for the long-term

A Canada Post site, Vancouver, a large city block with the potential for mixed-use development, purchased in 2013

B Immucor Inc., a U.S.-based company specializing in transfusion medicine – a private equity asset held since 2011

C Transelec, Chile's largest electricity transmission company – a regulated utility held since 2006



FIXED INCOME

MANAGING

$23.6 BILLION

OF FIXED INCOME AND MONEY MARKET SECURITIES

48 CURRENCIES

MANAGING FOREIGN EXCHANGE EXPOSURE TOTALING OVER $32.2 BILLION

$13.4 BILLION

THE CANADIAN UNIVERSE BOND FUND IS ONE OF THE LARGEST ACTIVELY MANAGED PROGRAMS IN CANADA

22.9% 

OF GROSS ASSETS

Offering clients innovative investment strategies, including real return bonds, global government bonds and investment-grade corporate securities

PERFORMANCE ANALYSIS

Interest rates continued to fall to record lows as investors sought the safety of bonds to protect themselves from the euro-zone crisis and a slowing global economy. Yields for 10-year bonds in Canada dropped to 1.6 per cent and 1.4 per cent in the U.S. The flight to quality caused interest rates of two-year bonds in safe haven countries such as Germany and Switzerland to fall into negative yields. In these cases, investors started paying the government for the privilege of holding their assets, exchanging returns for security.

It was a volatile year for foreign currencies. As investors sought quality assets, the relative value of the euro declined against the Canadian dollar, reaching a record low of $1.22. Improving conditions allowed the euro to recover until the banking crisis in Cyprus caused it to decline in value again. Meanwhile, the government of Japan's announcement of its expanded quantitative easing program devalued the yen against the Canadian dollar by 25.0 per cent. Our yen-hedging program partially protected our clients from foreign exchange risk.

As central banks maintained their overnight interest rates at or near zero, money market returns were in the one per cent range. Our Short-Term Fund Two, which holds Canadian federal, provincial, and municipal debt, as well as corporate debt has delivered superior long-term returns. The fund exceeded its 20-year benchmark by 0.2 percentage points.

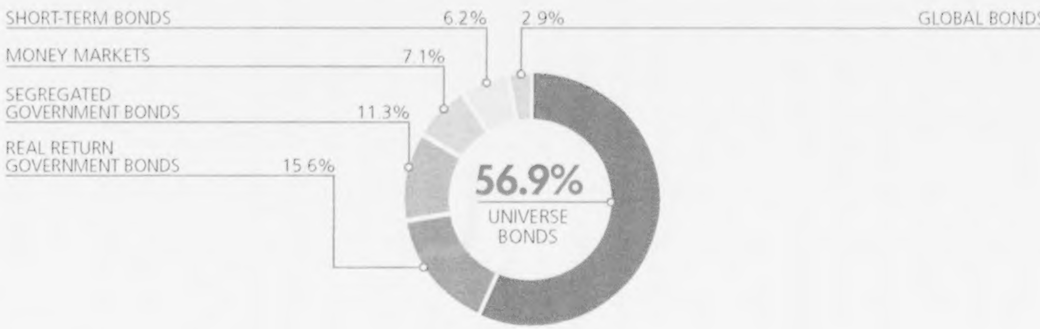
The Universe Bond Fund holds quality government and investment-grade corporate debt. These securities are highly liquid, allowing clients to alter their strategic asset allocations within a reasonable period and at a lower cost. Over the five-year period, the fund returned 6.3 per cent against a benchmark of 5.9 per cent. It has outperformed its benchmark in six of the last seven years.

The Canadian Real Return Bond Fund holds government-issued or guaranteed debt with inflation-adjusted payments. While performance is expected to closely match the benchmark, the fund underperformed by 0.5 percentage points over the year. Duration calls and rallying real interest rates negatively affected returns.

Refer to page 22 for full details of the returns and benchmarks for all pooled funds

FIXED INCOME PORTFOLIO ASSETS

as at March 31, 2013 [1,2]



[1] Percentages based on net assets
[2] The Fixed Income department manages money market securities for all other asset classes – this amounted to $1.4 billion as of March 31, 2013

LOOKING FORWARD

We anticipate that interest rates will be stable as central banks maintain short-term rates at or near zero for the next 18 months. Rates may increase slightly as the U.S. and Canadian economies improve. Without a viable resolution to the euro-zone crisis, the flight to quality into the bond market will continue. Returns will remain low. When interest rates rise and normalize, we may see negative returns.

Looking ahead, bcIMC's exposure to fixed income assets will reduce as our clients allocate more of their funds to infrastructure and real estate. We must maintain some exposure to fixed income assets as their liquidity and predictable cash flows offer protection against deflation and downturns in the equity markets.

THE YEAR IN REVIEW

- Transacted over $600 billion in bond, money market, and foreign exchange trades during the year. Given this volume, bcIMC was a priority account within the investment dealer community.
- Lead order on many new issues of corporate bonds. Notable activity included a $200-million order for five-year notes issued by the Bank of Nova Scotia.
- Protected the value of our clients' assets by maintaining no exposure to Italian and Spanish sovereign debt in the Global Government Bond Fund.
- Introduced an automated trade order management system for trading and processing foreign exchange transactions.
- Continued to expand our internally-produced credit ratings for corporate bond issuers. By year-end, 40 Canadian companies had been rated.
- Introduced a system that provides automated monitoring of credit exposures and provides daily reporting on compliance.

MORTGAGES

MANAGING
$3.5 BILLION
OF ASSETS WITH FIXED INCOME RETURNS AND REAL ESTATE AS SECURITY

FINANCING PROJECTS IN
34 CANADIAN CITIES

$6.7 BILLION
COMMITTED TO CONSTRUCTION LOANS SINCE 1995

3.4%
OF GROSS ASSETS

bcIMC plays a significant role in providing finance to Canada's commercial real estate industry

PERFORMANCE ANALYSIS

Narrowing mortgage spreads and historically low Government of Canada bond yields characterized Canadian mortgage markets. Low mortgage rates, a shortage of quality commercial real estate opportunities, and rising client demands were slightly offset by the sluggish economy. Real estate investment trusts (REITs) continued to have a significant supply of capital, allowing them to acquire commercial real estate and finance large-scale projects. REITs issued a record amount of commercial mortgage bonds and debentures.

Within this highly competitive market, we committed $860 million in mortgage loans. One of bcIMC's competitive advantages is our capability of financing large mortgage transactions – many borrowers are often willing to pay a premium to secure financing from a single lender.

Our mortgage investments continued to deliver strong long-term returns, supported by a combination of attractive interest rate floors and little or no mortgage arrears.

Over a 15-year period, the Fixed-Term Mortgage Fund, which provides secured financing for commercial real estate, returned 6.8 per cent against a benchmark of 6.1 per cent. The fund exceeded its one-year benchmark by 1.5 percentage points. Falling Government of Canada bond yields and no mortgage arrears contributed to the performance.

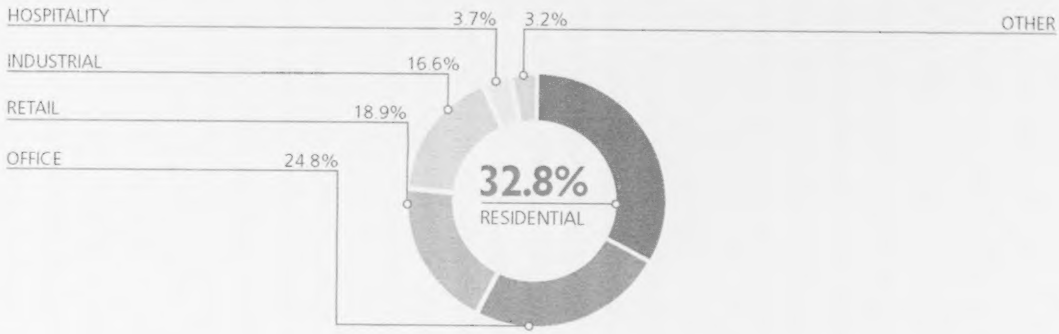
The Construction Mortgage Fund, which finances commercial developments, also had strong returns. Favourable interest rate floors and the absence of loan loss provisions contributed to the fund exceeding its 10-year benchmark by 2.0 percentage points. The fund returned 4.8 per cent over a one-year period.

Mezzanine mortgages are highly levered loans offered to commercial developers and property owners. This fund provides higher returns to compensate for the increased risk taken by our mortgage security. Over a 10-year period, the Mezzanine Mortgage Fund exceeded its benchmark by 3.2 percentage points. The fund returned 8.8 per cent over a one-year period against a benchmark of 3.8 per cent. Once again, attractive interest rate floors and few mortgage arrears contributed to the pleasing returns.

Refer to page 22 for full details of the returns and benchmarks for all pooled funds

Rosewood Hotel Georgia, Vancouver
bcIMC first committed construction financing in 2010

MORTGAGE HOLDINGS BY PROPERTY TYPE
as at March 31, 2013[1]



[1] Percentages based on net assets

LOOKING FORWARD

Slow economic growth and a low inflation environment will keep Government of Canada bond yields near historic lows. The competitive lending environment is expected to continue, keeping mortgage spreads for fixed-rate loans low. Commercial mortgage rates are not anticipated to significantly increase in 2013. An improvement in the Canadian economy in 2014 could change this situation if inflation rates increase.

Given the interest rate environment, bcIMC will negotiate mortgage terms with shorter periods. Reducing the duration of a loan will protect our clients from the potential drop in value when interest rates begin to increase or normalize. We will continue to focus on variable rate mortgages with attractive interest rate floors.

THE YEAR IN REVIEW

- Committed $860 million to new commercial mortgages, down from $1.1 billion in 2011–2012. Although the quantity declined, the quality of loans increased – many of the new loans have attractive interest rate floors that protect our clients from potential decreases in interest rates.
- Notable commitments negotiated this year: conversion of the former Four Seasons Hotel, Toronto into a mixed-use complex of 490 condominium units and 18,000 square feet of retail; renovation of the 154-room, five star Rosewood Hotel Georgia in downtown Vancouver.
- Enhanced risk management by developing a construction loan tracking process to help ensure developer purchase and sale agreements remain legally binding.
- Collaborated with a chartered bank to enable our construction borrowers to provide cost effective Letters of Credit to their projects' regional jurisdiction.

PRIVATE PLACEMENTS

MANAGING
$4.6 BILLION
OF PRIVATELY NEGOTIATED INVESTMENTS

DIRECTLY INVESTED IN
20 COMPANIES

$10 BILLION COMMITTED
SINCE 1995 TO INVESTMENTS IN
52 COUNTRIES[1]

INVESTED IN 1,100 COMPANIES
THROUGH 162 PRIVATE EQUITY FUNDS

4.5%
OF GROSS ASSETS

[1] Excluding interests in fund-of-funds

Providing long-term private capital to companies with strong fundamentals and experienced management

PERFORMANCE ANALYSIS

Activity in global private equity markets was less robust than in 2011 – although conditions continued to improve from July through to December. In North America, strong listed equity markets and attractive access to financing provided tail winds for private markets. Although Europe continues to face economic challenges, the European Central Bank's decision to purchase sovereign debt issued by members of the euro-zone stabilized the private equity investment environment in the region and re-opened access to debt capital.

Many managers took advantage of the improved market conditions to sell their investments in companies that were negatively influenced by the financial crisis. Private equity managers also renewed their focus of raising capital from institutional investors.

The program's 15-year unaudited internal rate of return for the period ending December 31, 2012 was 6.2 per cent, against a benchmark of 12.1 per cent. Investments made at the inception of the program in the 1990s continue to negatively affect the portfolio and inhibit its longer-term performance.

Improving market conditions and our efforts to refocus the program towards primary funds and direct investments have strengthened shorter-term returns. The program returned 13.7 per cent (unaudited) against a one-year benchmark of 15.5 per cent. The buyout investment class drove the one-year performance and returns were well balanced across all regions with the exception of Canada.

Three-year unaudited performance for the program was 12.3 per cent versus the benchmark of 8.0 per cent. Solid operating performance and the increasing value of portfolio companies, such as those within the health care sector and International Meal Company, contributed to the returns. The performance of investments in Asia and the emerging markets also benefited short-term returns.

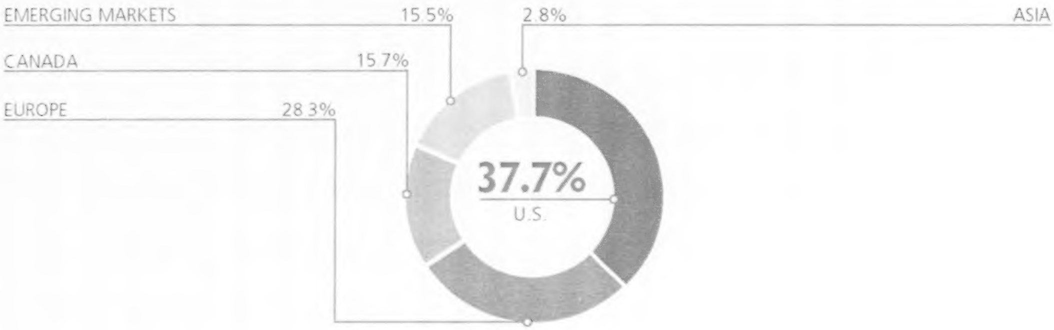
Refer to page 24 for full details of the returns and benchmarks for all pooled funds

International Meal Company, one of Brazil's largest retail food concessionaires – a co-investment held with Advent International since 2010

THE YEAR IN REVIEW

- Committed $800 million to one direct investment, two co-investments, and nine funds including TPG Asia VI and Advent Global Private Equity VII.
- Completed our first co-investment with a U.S.-based manager, to aquire a leading provider of educational materials and solutions around the world.
- Expanded our Asian fund manager network by adding FountainVest Partners, a China-based growth manager.
- Added AEA Investors LP, a middle market buyout manager that focuses on companies undergoing transformation to improve operational and financial performance.
- Received $745 million in distributions – notable distributions were provided by: International Meal Company, Brazil's largest retail food concessionaires; Vantiv, a U.S.-based payment processing company; Ziggo, a European-based cable utility.

REGIONAL DISTRIBUTION OF PRIVATE PLACEMENTS
as at March 31, 2013 [2]



[2] Percentages based on net assets

LOOKING FORWARD

As credit and listed public markets improve, the private equity environment is expected to strengthen. Investors should continue to exit mature private equity investments and this will free up capacity and funds for new investments. Easier terms of credit will also encourage deal activity, especially leveraged buyouts. As access to credit influences leverage, and increased competition may drive up prices and alter risk profiles, we will maintain our discipline when deploying capital.

Returns will continue to improve as our managers realize the value of fund investments made before 2008. We anticipate very robust distributions in 2013. Our direct principal investment portfolio remains well positioned to deliver strong long-term returns.

PUBLIC EQUITIES

MANAGING

$47.9 BILLION

OF PUBLICLY-TRADED SECURITIES

61.6 % OF EQUITY ASSETS MANAGED IN-HOUSE [1]

INVESTED IN

44 COUNTRIES

1,150,980,000

SHARES TRADED IN-HOUSE

46.6% 

OF GROSS ASSETS

An equity portfolio positioned to capture global growth and income opportunities

PERFORMANCE ANALYSIS

Macroeconomic and geopolitical factors continued to drive global equity markets in 2012–2013. The stabilizing of the euro-zone crisis, progress on the U.S. fiscal situation, and aggressive action by policy makers contributed to stronger returns in the global markets. Later in the year, investors began putting funds back into the equity markets, helping the returns and reversing a trend of the last few years.

Our indexed funds performed in line with expectations. Five of the six funds met or exceeded their benchmark. As these funds are managed in line with the risk-return characteristics of their benchmarks, these results were expected.

The enhanced indexed funds also performed well; three of the four funds outperformed their index. The new Enhanced Global Equity Fund outperformed by 1.2 percentage points, while the Enhanced Indexed U.S. Equity Fund struggled. It missed its benchmark by 0.2 percentage points. Even though recent years were challenging for enhanced indexed funds using quantitative methods, we are disappointed with the returns. We are reviewing the fund to enhance its long-term performance.

Performance of our active funds was generally very good with a couple of funds underperforming, although this was not surprising. Notably, the Active European Equity Fund exceeded the index by 1.5 percentage points – this has been a difficult area for active management and so these results were appreciated.

A number of managers contributed to the one-year return of 7.1 per cent from the Active Emerging Markets Equity Fund. Rapidly expanding markets such as Brazil, India, and South East Asia contributed to the returns. We also terminated a manager and awarded a mandate to a new manager.

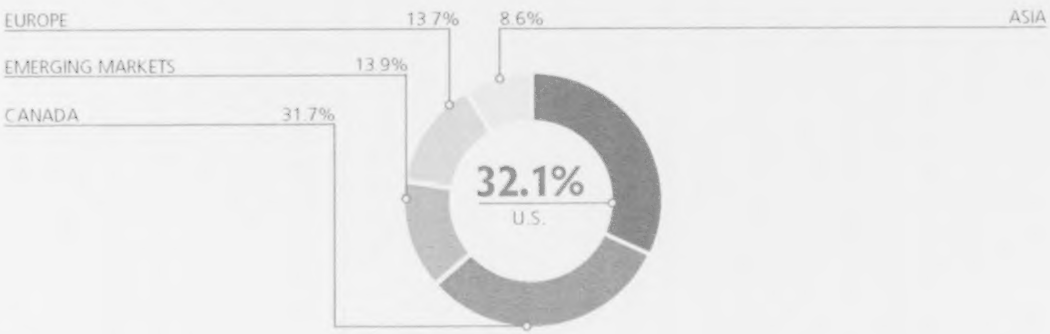
Our portfolio of active Canadian funds also provided good returns. The Active Canadian Equity Pool outperformed its one-year benchmark by 0.6 percentage points. Over a 20-year period the fund has returned 9.5 per cent. The Active Canadian Small Cap Equity Fund exceeded its one-year benchmark by 19.4 percentage points.

Refer to page 23 for full details of the returns and benchmarks for all pooled funds

[1] Calculated on a net asset basis

REGIONAL ALLOCATION OF PUBLIC EQUITIES

as at March 31, 2013[1]



[1] Percentages based on net assets

LOOKING FORWARD

As the euro-zone stabilizes and concerns about China's economic growth decrease, we believe that the global economy will begin to improve. A combination of attractive company valuations, improving earnings, and the potential of rising interest rates will contribute to stronger stock markets. In addition, we anticipate that investors will likely begin rotating out of fixed income and back into the equity markets.

While we have a positive outlook for public equities in the year ahead, we recognize that there are significant risks within the markets and expect continuing volatility in the foreseeable future.

THE YEAR IN REVIEW

- Of the 20 equity funds, 12 exceeded and two met their one-year benchmarks. Most funds delivered good multi-year returns.
- Wound down the indexed, enhanced indexed and active EAFE funds after our clients adopted a global equity strategy. We transitioned 17 managers and mandates and moved $6.7 billion in assets as a result.
- Launched our internally-managed Indexed Global ESG Equity Fund, providing clients with exposure to companies in the global markets with high environmental, social, and governance ratings.
- Received our Qualified Foreign Institutional Investor license by the Chinese Securities and Regulatory Commission. We appointed a Singapore-based manager to invest in the domestic China A-Share market on our behalf. These holdings will be added to the Active Emerging Markets Equity Fund in 2013–2014.

REAL ESTATE

MANAGING

$17.8 BILLION

OF PRIME CANADIAN AND GLOBAL REAL ESTATE

16 % LEVERAGE RATIO IN THE CANADIAN PORTFOLIO

20 ACTIVE DEVELOPMENTS THROUGHOUT CANADA

178 YEARS

COMBINED REAL ESTATE EXPERIENCE

17.3% 

OF GROSS ASSETS

Focusing on the ownership, operation, and development of direct real estate assets since 1991

PERFORMANCE ANALYSIS

The Canadian commercial real estate market continued to expand despite the ongoing challenges within the global economy. The fundamentals of the Canadian market remained strong – higher occupancy levels, strong rental income, and increasing real estate values dominated the environment.

It was also a highly competitive market for new acquisitions. Pension funds, life insurance companies and other investors with a significant supply of capital, were actively looking for real estate. This demand pushed valuations and sale prices to record highs. Within this environment, developing property is a more cost-effective and prudent approach to expanding our clients' real estate portfolio.

Since 1991, we have been building a domestic real estate portfolio that has a long-term, comprehensive focus and is capable of generating consistent returns through varying economic cycles. Our diversified portfolio of well-located, high-quality Canadian real estate continues to deliver strong results. Over the 20-year period, the portfolio returned 10.1 per cent, exceeding its benchmark by 4.2 percentage points. Over the one-year period, the domestic portfolio performed solidly, returning 11.8 per cent against a benchmark of 5.0 per cent. Returns were driven by the increasing valuation of properties in key metropolitan areas. The strong occupancy rates within our diversified portfolio continue to provide reliable and stable rental income.

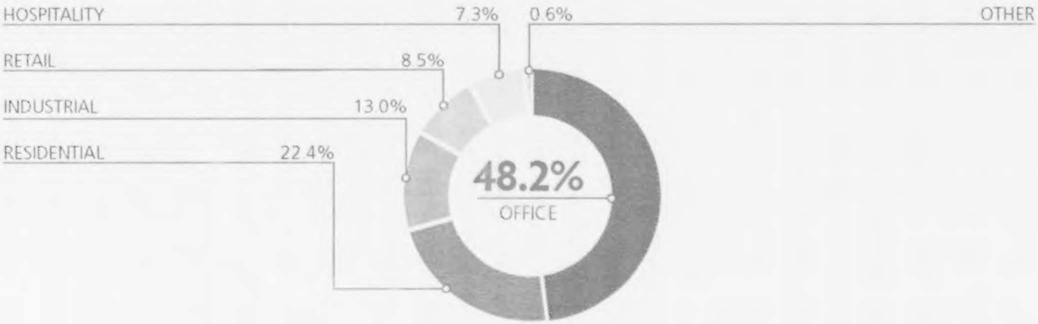
The 10-year annualized returns for our international portfolio for the period ending December 31, 2012 were flat. The financial crisis and the subsequent global recession continue to impact global real estate and our portfolio. Although global markets are beginning to show signs of recovery, the pace of recovery varies by region. While valuations are improving in Asia and Latin America, the euro-zone crisis continues to influence the European markets and its real estate. On a one-year basis, our global portfolio returned 2.1 per cent against a benchmark of 7.8 per cent.

Refer to page 24 for full details of the returns and benchmarks for all pooled funds

Silverbirch Hotels & Resorts, Residence Inn Marriott, Vancouver
a 10-month renovation project completed in 2012

DOMESTIC REAL ESTATE ASSETS BY PROPERTY TYPE

as at March 31, 2013 [1]



[1] Percentages based on gross assets

LOOKING FORWARD

Despite a gradual economic slowdown in Canada, real estate fundamentals remain sound and property values are nearing historic highs. Our domestic portfolio continues to deliver reliable cash flows as proactive asset management efforts have resulted in strong occupancy levels and minimal lease expirations. Strategically built over 20 years, the portfolio is well-positioned to provide stable returns moving forward given significant exposure to creditworthy tenants, high asset quality, and low debt levels.

Although global real estate markets have improved, the European, Asian, and North American economies remain vulnerable to geopolitical and macroeconomic risks. Recovery of these markets will take time.

THE YEAR IN REVIEW

- Raised $500 million by issuing bonds to the Canadian markets at a five-year rate of 2.65 per cent and a 10-year rate of 3.51 per cent. These funds will finance our ongoing real estate developments.
- Added over 990 acres of developable land. Notable transactions included: the 296-acre Royal Bay site in Greater Victoria (zoned for mixed land-use development); Henday Common in Edmonton with the potential for prime industrial warehousing.
- Acquired the Canada Post site, a 2.98-acre city block located at Homer and Georgia in downtown Vancouver.
- Completed six developments, adding over 876,400 square feet to our domestic portfolio. Projects included: a 174,000-square foot LEED Gold office building at Broadway Tech, Vancouver; the renovation and rebranding of two SilverBirch Hotels & Resorts hotels in Vancouver and Mississauga.

STRATEGIC INVESTMENTS AND INFRASTRUCTURE

MANAGING
$5.4 BILLION
OF INFRASTRUCTURE AND STRATEGIC ASSETS

83.4 % OF THE PROGRAM'S ASSETS ARE EXPOSED TO PRIVATE MARKET INFRASTRUCTURE

DIRECTLY INVESTED IN
12 COMPANIES
AND **18** FUNDS

LONG-TERM OUTLOOK, INVESTMENTS OFTEN EXTEND BEYOND
20 YEARS

5.3%
OF GROSS ASSETS

Building a global portfolio of assets that generate strong, sustainable cash flows with low volatility

PERFORMANCE ANALYSIS

Our Strategic Investments and Infrastructure program holds long-term private market and publicly-listed investments in infrastructure, including regulated utilities and services, transportation, and strategic assets such as timber and agriculture. The program is managed by private placements, public equities, and real estate.

The consolidated program returned 9.0 per cent on a one-year basis, with the private placements and public equity components exceeding their benchmarks. Over a three-year period, the program returned 10.4 per cent against a benchmark of 8.0 per cent.

The private placements component, which invests in private market infrastructure, continued to deliver strong performance. Unaudited returns were 9.6 per cent for the year ended December 31, 2012, and 12.2 per cent on a three-year basis. Improving economic conditions, low interest rates, and the solid operations of companies such as Corix Infrastructure Inc., Transelec, and Thames Water drove the returns.

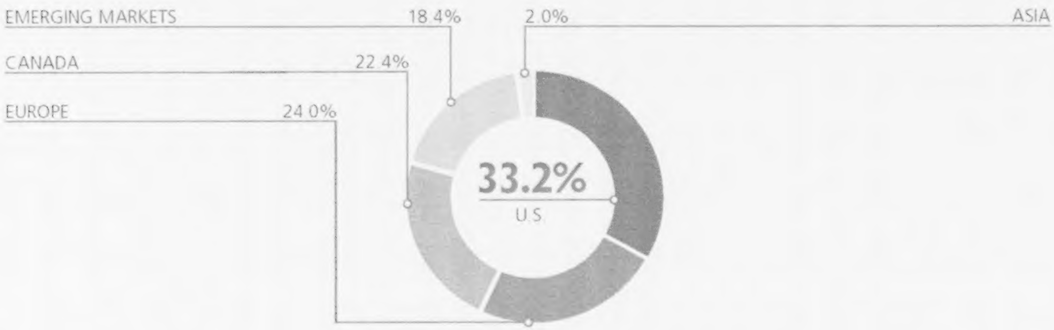
The public equity component focuses on Canadian companies within the energy, materials, and transportation sectors, and other strategic positions. On a one-year basis it returned 8.5 per cent for the year ended March 31, 2013. Performance was driven by holdings in Canadian energy infrastructure utilities and financial companies. The weaker performance of energy holdings affected overall fund returns.

Investments in timberlands and timber funds are primarily held in the real estate component. Unaudited returns for the year ended December 31, 2012 were (3.1) per cent on a three-year basis and (14.6) per cent on a one-year basis. Although the Asian markets provided favourable conditions for timber exports, the sluggish U.S. housing market continued to influence the operations of our Canadian timber investments. Additional commitments made at the end of the year to existing timber investments also affected one-year returns.

Refer to page 24 for full details of the returns and benchmarks for all pooled funds

OHL Brasil, largest private toll road operator in Brazil
an infrastructure asset held since 2012

REGIONAL DISTRIBUTION OF STRATEGIC INVESTMENTS & INFRASTRUCTURE FUND
as at March 31, 2013 [1 & 2]



[1] Percentages based on net assets
[2] Assets in the Strategic Investments and Infrastructure Fund are valued annually at December 31. In early 2013, bcIMC's Strategic Investments and Infrastructure program was restructured into the Infrastructure and Renewable Resources program.

LOOKING FORWARD

We are optimistic about global infrastructure opportunities. Governments in developed economies are increasingly exploring creative partnerships for renewing domestic infrastructure. Emerging markets have significant infrastructure requirements to support and facilitate their rapidly growing economies. Competition could be strong as investors actively seek real assets. Increasing demand and overly accommodative credit conditions may affect future returns and risk profiles.

Our program is well positioned for future growth. Many of our portfolio companies are actively investing in the expansion and renewal of their asset base to support essential services provided to customers. Portfolio companies are also strengthening their capital structures, typically investment grade, by accessing attractive long-term debt.

THE YEAR IN REVIEW

- Committed a record $1.5 billion within a highly competitive investing environment.
- Increased our share holdings in Corix, a water, wastewater, and energy infrastructure company in North America, and supported Corix's purchase of Utilities Inc., a U.S.-based firm serving residential customers across 15 states.
- Participated in a consortium to acquire OHL Brasil, the largest private toll road operator in Brazil – bcIMC's first direct infrastructure investment in Brazil.
- Received over $305 million in distributions reflecting the strength and maturity of the program.
- Committed funds to TIAA-CREF's $2-billion portfolio of farmland assets in the U.S., Australia and Brazil. This is bcIMC's first privately-negotiated agricultural investment.

RISK MANAGEMENT

OUR GUIDING PRINCIPLES

- risk management is the responsibility of every employee
- managing risk is as important as generating returns
- clients expect to be rewarded with higher returns for taking on additional market and credit risk
- exposure to unintended risks – market, credit, environmental, legal, and/or operational – is not rewarded
- proactive recognition and assessment of risk is important
- continuous improvement of our frameworks and processes is necessary
- honest and candid communication improves risk management

PILLAR TWO: RISK MANAGEMENT

Our enterprise-wide risk management framework addresses five main areas – market, credit, environmental, legal, and operational risk. It also incorporates strategic human resources, strategic information technology, and business continuity planning.

The Board and CEO/CIO monitor strategic and reputational risk. The CEO/CIO establishes the framework and is regularly updated on the identification and mitigation of risks. An internal committee reviews enterprise-wide risks and submits quarterly and annual reports to the Board. The internal audit function reviews systematic risk within our financial procedures. Results are shared with management and the Audit Committee.

Market risk is a fundamental part of the investment process. We adopt prudent investment practices and ensure that the risk is appropriate to each client and their expected return. We knowingly take on risk and assess the impact of macro trends on the markets.

Combining experience and prudent investment practices to deliver superior returns within a rigorous risk framework

Credit risk focuses on credit concerns with fixed income, securities lending and mortgages. After rigorous due diligence we produce our own internal notional credit ratings of companies which are then used in conjunction with those of the rating agencies. Trading activities are governed by the use of approved brokers, dealers and derivative counterparties.

Managing **environmental risk** begins with the due diligence protocols for all investments. We work with accredited environmental consultants. Post-investment practices include maintaining environmental records and ensuring compliance with legislation. We also review legislative changes for potential impacts on our investments.

bcIMC follows a principle-based approach to identifying and mitigating **legal risk**. Loss or dilution of legal rights can have negative financial consequences for our clients. Policies, such as those concerning insider trading and anti-money laundering, address legal compliance risks.

Operational risk is managed through departmental registers which are reviewed by the Chief Operating Officer. The Operations Review Committee assesses procedural efficiencies and monitors change initiatives. Eliminating unnecessary operational complexity by automating and streamlining routine processes, such as supplier payments and expense processing, is a priority. Our audited Service Organization Controls Report, prepared in line with the CSAE 3416 standards, details our financial controls over our investment system.

Strategic human resources risks are managed through a framework that aligns the employment lifecycle with our business strategy. We mitigate risks through our recruiting practices, training, developing leadership, and managing succession planning.

Our **strategic information technology risk** management is aligned with industry best practices. These include the Information Systems Audit and Control Association's globally accepted framework Control Objectives for Information and Related Technology.

We have a rigorous approach, supported by action plans, to ensure the **continuity of bcIMC's business** in the event of a crisis or disaster. We successfully completed a number of disaster recovery tests during the year.

THE YEAR IN REVIEW

- Transferred responsibility for reporting enterprise-wide risks from the Office of the Chief Executive to the Chief Operating Officer.
- Implemented a trade order management system that reduces the procedural risks of foreign exchange trades.
- Avoided exposure within our Global Government Bond Fund to Italian and Spanish sovereign bonds.
- Implemented an environmental record management program for mortgage investments.
- Received an unqualified audit opinion for the 3416 Report on Controls for 2012–2013, providing clients with added assurance of our financial controls.
- Aligned the Operational Risk Framework with evolving best practices.
- Started to modernize our network and telecommunications.

RESPONSIBLE INVESTING

OUR BELIEFS GUIDE OUR APROACH:

- our primary concern is for the long-term value of assets; environmental, social and governance matters are addressed to the extent that they influence risk and return
- stewardship by shareholders creates long-term value in companies
- engaging is more effective in seeking to initiate change than divesting
- knowledge and reason inform our responsible investing decisions and activities
- aligning with like-minded investors and organizations can be more effective than working in isolation
- as a significant investor, we have a responsibility to advance responsible investing within our industry

PILLAR THREE: RESPONSIBLE INVESTING

Our mandate is to deliver the returns that help our clients meet their financial objectives. Assessing investment risk is an integral part of how we meet our fiduciary duty.

Some environmental, social, and governance (ESG) factors may emerge over time and become material risks that affect the asset's value. As a long-term investor we contribute more than capital to our investments. To protect our client assets, we encourage companies to focus on long-term value creation.

OUR APPROACH

As a founding signatory of the Principles for Responsible Investment (PRI), bcIMC committed to integrate ESG factors into our processes. As issues vary by region, sector, and company, we adapt our strategy to what is appropriate for the investment. Our principles guide our approach.

Our due diligence processes for private equity, infrastructure, mortgages, and real estate incorporate ESG considerations. These matters are also integrated into our fundamental analysis of Canadian publicly-traded companies. This informs our investment decisions for our internally-managed active domestic equity mandate.

As an active and engaged investor, we believe that proactive dialogue is the best way to advance the management of risk. We engage directly with senior executives and directors of publicly-traded companies, as well as with regulators and industry associations. Collaborating with like-minded investors and stakeholders gives us greater influence. We take a long-term view, recognizing that effecting change in corporate behaviour takes time.

At a minimum, we expect our portfolio companies to comply with the laws of Canada and international standards, including meeting – or exceeding – environmental regulations. They should apply best practices for corporate governance, adopt high standards of employee safety and welfare, and be responsible in their operations.

We believe that proxy voting fosters good corporate governance and accountability. Our staff research and vote all of our Canadian, U.S., and the most valuable global holdings.

We began publishing our proxy voting activity in 2004. These quarterly reports provide the rationale for each vote we cast. Responsible investing reports outlining our engagement and collaborative activities have been published since 2006. We also participate in the annual PRI survey.

Using responsible investing to protect future cash flows and grow the long-term financial value of our clients' assets

PUBLIC EQUITIES

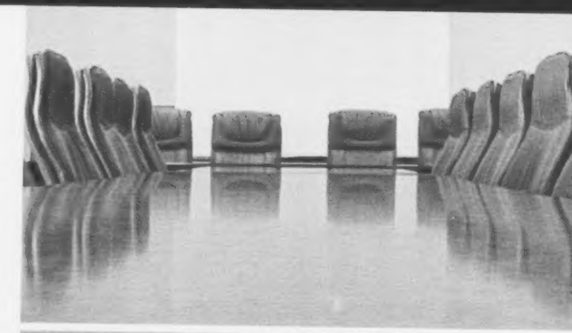
Our engagement activities focused on shareholder rights, climate change, and human rights. We continued to urge companies to adopt the key practice of linking executive compensation to performance and offer shareholders an advisory vote. bcIMC took a public stand in the contested board elections of CP Rail and Agrium Inc.

We also encouraged 34 companies to participate in the Carbon Disclosure Project, an initiative we have supported since 2006. Our efforts resulted in five new companies committing to enhance their reporting on climate risk. We voiced concerns on human rights and employee safety with mining companies.

Our collaborative efforts this year focused on systemic change. Enhanced transparency allows investors to more accurately assess ESG and investment risk of the sectors and companies that we invest in. Through our work with the PRI and Investor Network on Climate Risk, a letter was sent to 30 global stock exchanges asking them to commit to advancing sustainability with companies listed on their exchange. We also assisted with drafting a proposed listing standard to be adopted by the stock exchanges making sustainable reporting mandatory. Five exchanges – Bovespa, Johannesburg, Egypt, Istanbul, Nasdaq – voluntarily committed to improving the quality of ESG reporting.

We voted at more than 1,755 shareholder meetings in 38 countries and analyzed over 8,000 resolutions this year. bcIMC opposed management recommendations on executive compensation 55 per cent of the time. We supported 67 per cent of shareholder proposals, mainly those seeking increased shareholder accountability on annual director elections, separating Chair and CEO positions, and enhancing disclosure.

bcIMC has two pooled funds that adopt a best-in-class approach for selecting companies and excluding those with controversial activities – the U.S. Social Index Fund, created in 2006, and the Indexed Global ESG Fund, created in 2013.



CORPORATE GOVERNANCE

The election of directors is one of our key areas of engagement. bcIMC has pushed for companies to adopt majority voting policies that ensure directors are elected with support of most of the shareholders.

We have voiced our concerns over slate ballots and urged companies to present directors for election each year. Since 2004, we have engaged with more than 350 companies, filed three shareholder proposals, and prepared nine submissions to Canadian regulatory authorities. As a member of the Canadian Coalition for Good Governance, we collaborated on 12 regulatory submissions.

bcIMC's strong voice for regulatory change and shareholder reform contributed to the Toronto Stock Exchange adopting new listing rules for companies in late 2012. Listed companies are now required to hold annual and individual director elections. Slate ballots are no longer allowed. Voting results must be disclosed, as well as whether or not they have a majority voting policy.

We congratulate our portfolio companies for their awards in 2012:

- **Aquarion Water** (U.S.) – recognized by the Connecticut Energy Efficiency Fund for reducing its carbon footprint; for the sixth consecutive year had the highest customer service and satisfaction rating of any utility in Connecticut
- **Puget Sound Energy** (U.S.) – received a Green Washington Award from Seattle Business magazine as one of Washington State's 50 greenest companies. As owner and operator of three wind farms, PSE is the Pacific Northwest's largest utility producer of renewable energy
- **Thames Water** (U.K.) – maintained its platinum ranking in the Corporate Responsibility Index. Compiled by Business in the Community, the index helps companies systematically measure, manage, and integrate responsible business practices
- **Transelec** (Chile) – received the Corporate Social Responsibility Award from the Federation of Chilean Industry (SOFOFA) and Capital Magazine for promoting best practices in corporate governance and sustainability. Transelec's activities include environmental protection, promoting fair trade practices, and energy efficiency

RESPONSIBLE INVESTING

PRIVATE EQUITY AND INFRASTRUCTURE

Investments in private equity and infrastructure are often made with a very long-term outlook – sometimes beyond 20 years. As ESG issues can develop over time and affect companies, sectors and regions, assessing these factors are integral to our due diligence process for examining opportunities. In addition to financial performance, we assess the governance model of the prospective acquisition and commission detailed reports on legal, environmental, regulatory, and social factors. Potential risks are incorporated into our investment strategy. And depending on our ownership position, we may also play a more active role in addressing these risks with the companies. Our activities are aligned with the RPI's *Responsible Investment in Private Equity* guide for limited partners.

Post-investment, we monitor the company's operational and financial performance. Risks identified in the due diligence phase may be addressed directly with the company, or through our investment partners. We expect our portfolio companies to focus on long term value creation – meaning that they must apply good governance practices, effectively manage their business and community relationships, and be responsible in their business operations.

When we have a significant ownership interest, we appoint representatives to the board of directors. Our involvement at the board level – in areas such as long term strategy and governance – helps ensure that our governance standards are applied to our investments. Our annual Investment Governance Retreat was attended by 17 directors. The session addressed the principles of good governance, risk management, and pay-for-performance.

Our portfolio also includes a number of fund investments. In 2009, we endorsed the Institutional Limited Partners Association's *Private Equity Principles*, which provides a framework for governance and transparency.

RESPONSIBLE INVESTING

REAL ESTATE

We invest in and develop properties that are energy efficient, as well as environmentally- and tenant-friendly. Our commitment to responsible property investing extends to our 11 external managers and three portfolio companies.

Environmental risks and green initiatives are considered prior to the purchase or development of properties. Once within the portfolio, we ensure that property management strategies integrate environmental and social factors. Many tenants also view these initiatives as an important part of their own commitment to social and environmental responsibility.

Almost 75 per cent of our portfolio is certified under the LEED, BOMA BESt, or the Hotel Association of Canada Green Key programs. Buildings 5 and 7 at Broadway Tech Centre, B.C. were certified as LEED Platinum this year. Six office properties achieved the LEED Gold for Existing Buildings certification, with Park Place being the first commercial building in Vancouver, B.C. to receive this designation. Other properties included the BP Centre in Calgary and 18 York in Toronto.

Operating efficiencies are important for controlling costs. We have measured and tracked energy consumption and greenhouse gas emissions since 2007. Despite our growing portfolio, we have reduced its emissions on a per-square-foot basis. Waste audits and the tracking of water consumption were introduced in 2008.

Assuring sound governance practices within our portfolio companies is another focus area. We use the European Private Equity and Venture Capital Association (EVCA) *Corporate Governance Guidelines* as a basis. We expect the appointed board of directors to promote sound corporate governance and to enhance the value of our investments and align executive compensation with company performance. Quality reporting and disclosure of the company's operations is required.

Our companies are committed to being responsible corporate citizens. Delta Hotels & Resorts received the 2012 Green Leadership Award from Hotelier Magazine in recognition of its environmental excellence within the hospitality industry. Bentall Kennedy was ranked first in the Americas in the Global Real Estate Sustainability Benchmark for the second consecutive year. Bentall Kennedy was also named as one of Canada's Top 30 Green Employers.

COMMERCE COURT

An iconic office complex located at King and Bay in downtown Toronto – received the LEED Existing Building Gold certification in 2012

The certification comes after a number of significant and measurable results:

- **6.7 million equivalent kilowatt hours saved** from all energy sources including water, electricity and steam from 2010 to 2011
- **energy efficiency initiatives** – like the Enwave Deep Lake Water Cooling system – that resulted in the complex being more energy efficient than 75 per cent of commercial office buildings [1]
- **a reduction of greenhouse gas emissions of 38 per cent** from 2007 to 2011 [2]
- a comprehensive recycling program that **diverts 78 per cent of waste from landfills** (the equivalent of 257,000 garbage bags)

[1] As benchmarked by LEED
[2] Normalized for vacancy

FOUR ELMS RETIREMENT RESIDENCE

Four Elms Retirement Residence, Ontario, is an environmentally-sound development financed by bcIMC. Owned and developed by Diversicare, Canada's fifth largest operator of retirement communities and long-term care homes, this 160-suite retirement facility is LEED-compliant.

The energy efficient features of this facility include:

- **geothermal heating and cooling** throughout the building including the exterior ramps and sidewalks
- **heat recovery ventilators** which introduce fresh air to the building, improving climate control while also promoting the more efficient use of energy
- **variable frequency drives** on heating loop pumps
- **programmable thermostats** on the heat pumps

bcIMC provided construction financing through the Construction Mortgage Fund and the Mezzanine Mortgage Fund. We committed to the project in 2007. Construction was completed in 2010.

RESPONSIBLE INVESTING

MORTGAGES

When assessing applications for commercial mortgages, we favour developments and projects with environmentally-sound principles that match our clients' risk-return requirements. Our mortgage credit risk rating system specifically identifies and scores environmental features in the real estate security. This assessment was integrated into our risk rating system in 2009.

Our LEED-accredited investment professional assists with assessing these mortgages. This in-house expertise benefits our underwriting process as green technologies can be verified and quantified before being assigned a risk rating.

bcIMC has provided $1.3 billion towards financing developments and projects with material "green" initiatives since 2006. Commercial construction projects that incorporate energy efficient technologies, such as geothermal and deep lake cooling technology, and are targeting certifications represent about 22.0 per cent of bcIMC's mortgage portfolio.[1] Active LEED-certified projects currently account for almost $350 million of mortgage commitments.

FIXED INCOME

Corporate bonds are an important part of our clients' portfolio. We recognize that flawed corporate governance practices can adversely impact bondholders by exposing us to excessive or unforeseen credit risk. Assessing governance issues – including ownership, executive succession planning, board effectiveness, compensation, and disclosure – is integral to our credit risk analysis.

We are a founding member of the Canadian Bond Investors' Association (CBIA). This group, established in 2011, advocates for the rights of investors in Canadian bonds. We sit on the Board and are an active member of the advocacy committee. Our key initiative for the year was petitioning the Office of the Superintendent of Financial Institutions about the Non-Viable Contingent Capital initiative for Canadian banks. We also urged securities regulators to strengthen issuer disclosure and tighten regulations around bond issuance. The CBIA also encouraged rating agencies to disclose the new methodologies used to rate banks.

[1] Percentage is based on the market value as of March 31, 2013

ADVOCACY AND COLLABORATION

bcIMC advocates for legal and regulatory changes that make responsible investing principles part of the regulatory framework and improve the investment environment for pension plans. We work with like-minded investors and organizations to draw attention to the legal aspects which we believe should be changed or enhanced. Our activities have also extended to encouraging policy makers around the world to place more emphasis on corporate governance and shareholder accountability in their legal and regulatory frameworks.

In 2012, bcIMC initiated a collaborative effort advocating for changes to Bill C-377. This private member's bill proposed to amend the federal *Income Tax Act* by increasing the reporting requirements for the purchase and sale of investments held within any labour trust. bcIMC and our peers advocated for the exemption of pension plans and health trusts from these reporting requirements. The Bill, with the changes requested, was passed by the House of Commons and is currently before the Senate.

Our other initiatives included:

- Increasing bcIMC's involvement in international securities litigation by engaging U.S. counsel to monitor international litigation and by joining class actions against Vivendi Universal, S.A. (France), Olympus Corporation (Japan), Satyam Computer Services Ltd. (India), and Leighton Holdings Ltd. (Australia).
- Submitting comments to the Canadian Securities Regulator regarding the proposed Direct Electronic Access Rule.
- Engaging with the BC Securities Commission on changes to the exempt market regime in British Columbia.

bcIMC'S COLLABORATIVE PARTNERS

- Asian Corporate Governance Association
- Canadian Coalition for Good Governance
- Carbon Disclosure Project
- Extractive Industries Transparency Initiative
- Institutional Limited Partners Association
- International Corporate Governance Network
- Investor Network on Climate Risk
- Pension Investment Association of Canada
- REALpac
- Social Investment Organization
- UN-led Principles for Responsible Investment

CLIENT SERVICES

A CULTURE OF CLIENT SERVICE

Our clients have voluntarily entrusted us with managing their assets. From understanding their investment objectives to developing long-term partnerships, implementing investment strategies, and providing cash management services, each employee has a client-service role.

bcIMC's corporate values of respect, integrity, honesty, and trust form the basis of our culture. We earn client confidence by acting with prudence, diligence and transparency.

Our guiding principles are:

- knowing our clients and understanding their evolving investment goals
- respecting that clients' needs extend beyond putting capital to work
- using a team-based approach to provide an integrated service experience
- establishing positive connections to build a foundation of trust and lasting partnerships
- continually striving to enhance our services

PILLAR FOUR: CLIENT SERVICES

OUR APPROACH

Client service involves constantly focusing on understanding and serving our clients' different needs – whether managing pension funds on behalf of plan beneficiaries, growing capital reserves for insurance funds, or generating income for trust funds. This includes learning about their risk and return objectives, liability profile and liquidity needs, and their investment horizon.

Our team assists with developing strategies that take into account our clients' investment objectives, risk appetite, and investment beliefs. We also advise clients on the appropriate pooled fund products.

Once strategies are in place, we provide a range of services customized to the client's specific needs, including investment consulting and policy advice; risk management; corporate engagement; investment education; investment management administration as well as cash management services, accounting and reporting.

CLIENT FOCUS AREAS

The consequence of a protracted period of low returns on our clients' actuarial and return objectives is a key focus area. As their investment manager, we continually look for ways to add value in a risk-controlled manner. We assisted several clients with reviewing their asset/liability mixes this year and recommended increasing their allocations to real assets. This strategic allocation of assets allows clients to redirect some of their assets away from the more volatile public markets towards asset classes like real estate and infrastructure that offer more stable cash flows. Clients are also increasing their exposure to global markets that have the potential for stronger economic growth.

In addition, we reviewed the pooled fund policies to assess opportunities for adding value within existing funds or by adding new products. Three new equity funds, a new thematic investing strategy, and the renewable resource investment fund were presented to clients for their consideration and approval during the year.

Responsible investing remains an area of interest for many clients and their stakeholders. We communicate with clients on a range of environmental, social, and governance-related issues and provide quarterly reports on our responsible investing activities. In response to increased client interest, the Indexed Global ESG Equity Fund was also

added this year. As with the U.S. Social Index Fund, funded in 2006, this investment portfolio incorporates positive and negative screens based on the ESG practices of the companies.

We continue to focus on strengthening relationships with the trustees of our clients' boards, while also establishing networks with potential trustees. Through our educational sessions, webinars and orientation programs, we strive to ensure trustees have a deep understanding of bcIMC, our activities and investment principles.

ENHANCING OUR SERVICE

Trust is a critical part of investment management, and we continually look for ways to improve and enhance our services.

The client satisfaction survey conducted in 2011–2012 by Ipsos Reid confirmed that clients' overall satisfaction level remains very strong – 95 per cent of clients indicated that they were satisfied or very satisfied with our services. Two themes for enhancing our service also emerged from the survey. Firstly, clients encouraged us to continue exploring strategies to enhance investment returns. We have responded by reviewing investment strategies, developing new pooled funds, and exploring alternatives in strategic asset allocation methodology.

In addition, clients expressed an interest in a move to electronic reporting. We have contributed to their initiative and continue to look for ways to enhance our reporting and provide relevant information on a timely basis.

LOOKING FORWARD

A high level of client servicing will be maintained (with more than 120 meetings expected annually), including increased education and communication on responsible investing.

We will continue to assist clients with strategic reviews of their asset mixes and provide support as they transition their assets to increased allocations of infrastructure and real estate. bcIMC will also introduce new investment strategies, themes, and new products to clients. We will adapt our reporting to reflect changing investment strategies and respond to clients' evolving information requirements.

THE YEAR IN REVIEW

- Welcomed two new clients and accepted an expanded mandate from an existing client, adding $130 million to funds under management.
- Hosted our first Client Forum, inviting both pension and non-pension trustees. The discussions included the impact of global trends and the evolving capital markets on asset allocation and investment strategy. We also introduced thematic investing, provided an overview of the due diligence process, and discussed strategic trends in food. Insights gained from our client discussions were incorporated into the development of our thematic program.
- Assisted with arranging the annual B.C. Public Sector Pension Conference. Clients were exposed to discussions on the investment implications of geopolitical matters, real estate trends and opportunities, global economic outlook, and thematic investing.
- Received a clean external audit opinion for our performance reporting to clients.

BUILDING bcIMC

192 EMPLOYEES

73% OF STAFF HOLD POST-SECONDARY QUALIFICATIONS AND CERTIFICATIONS IN THEIR AREA OF SPECIALITY

50 INFORMATION TECHNOLOGY SYSTEMS SUPPORT OUR PROCESSES

OPERATING COSTS OF **20.1** CENTS PER $100 AUM [1]

19 LANGUAGES

OUR STAFF SPEAK MANY LANGUAGES FROM CANTONESE TO HINDI TO RUSSIAN

[1] Calculated on a net asset basis

PILLAR FIVE: BUILDING bcIMC

INVESTING IN TECHNOLOGY

Investing is an intrinsically dynamic activity and globalization is changing technology and businesses. Flexible and scalable technology that supports new investment approaches and facilitates the increasing reliance on forward-looking data is becoming more important. Enhancing our ability to manage and analyze the ever-increasing volume of data to generate information to support decision making and reporting is another priority.

We are investing in our information technology and systems to ensure that it can support the demands of a rapidly evolving investment environment. Our information technology strategic plan, aligned with our overall strategic business plan, provides the foundation for our approach.

A number of strategic initiatives were implemented this year. We developed a multi-year project plan for modernizing our network and telecommunications infrastructure. The first phase of this plan involved determining hardware requirements, designing our future network and telecommunications environment, procuring equipment and selecting our strategic partner.

We assessed our enterprise data requirements and management processes and will integrate the insights into a roadmap for a separate five-year strategic initiative. Implementation is scheduled for 2013–2014. The focus of the initial phase will be on data governance, data quality, and developing an information model.

bcIMC is also enhancing the management of data within our investment portfolios. The introduction of a real estate reporting system has significantly increased our capacity to organize and analyze data. The system enables more detailed and coordinated reporting across our growing Canadian real estate portfolio. Improved information will enhance the strategic management of the portfolio.

We continue to mitigate operational risk by streamlining and automating routine processes. The implementation of a new credit risk reporting system shortened the time required to check credit limits and enhances our oversight of credit counterparties. In addition, we developed and introduced a new trade order management system for processing foreign exchange trades. This system has automated trading procedures, reduced operational risk, and enhanced management oversight. In another initiative, the introduction of call recording on trading phones supports fixed income and equity compliance and reduces operational risk.

Our people, supported by proven technology, are the foundation of our success and that of our clients

OUR PEOPLE DRIVE OUR RESULTS

bcIMC attracts and retains some of the best investment professionals in the industry. We offer challenging work, opportunities for career development, and remuneration that aligns staff performance with corporate and client objectives.

Investing in our team helps provide results. This involves growing our team and enhancing skills and expertise. bcIMC's human resource planning and activities support our strategic focus of enhancing global exposure, thematic investing, increasing real assets, and managing more of the assets in-house.

We added 15 new positions this year. Expanding the real estate group to support clients' increasing interest in this asset class was one of our focus areas. We introduced strategic research capability, added global expertise, and strengthened portfolio administration capabilities. Existing responsibilities were also realigned to enable the program's focus on multi-use development projects.

To prepare for the launch of our first thematic public equity fund, we added portfolio management and research expertise. Our Capital Markets Research Group will support this fund with strategic research and company analysis.

Appointing a Chief Operating Officer (COO) allows us to review our business processes and automated procedures. Given this focus, we changed the reporting structure of five functional areas – finance, trade management and compliance, legal affairs, information technology, and internal audit report to the COO.

Anticipating and planning for pending retirements is another priority. We actively monitor our age profile and take action ahead of predicted departures to transfer corporate knowledge. Other succession strategies are used to ensure continuity of our leadership competencies.

We continue to focus on training and development. We delivered 68-person days of onsite training and funded nearly 395-person days of job-specific conferences and specialized workshops. Real asset-aligned training included advanced leverage financing and valuating agriculture and hospitality investments. Technical training to support the modernization of our technological infrastructure was also provided. We continue to support staff who are pursuing professional designations such as Chartered Financial Analyst, Chartered Alternative Investment Analyst, and other designations.

LEARNING LEADER AWARD

Bryan Thomson, Senior Vice President, Equity Investments, was named a Learning Leader by the Canadian Society for Training and Development, a not-for-profit professional association focused on training, learning and performance in the workplace.

A Learning Leader is an active training advocate, an on-going supporter of learning and development, and someone who recognizes the value for individuals and the company.

Bryan's commitment to learning and development, and his support of diverse learning techniques, earned him his nomination. Bryan supports bcIMC-wide initiatives, provides continuous feedback and mentoring of his staff, and champions formal and informal training activities.

This is bcIMC's first external recognition for our people practices.

THE YEAR IN REVIEW

- Added 15 positions, enhancing the breadth and depth in our asset classes, risk analysis, client consulting, and operational functions.
- Started implementing our multi-year initiative to modernize our information technology network and telecommunications systems.
- Continued to automate our business processes by implementing a credit risk reporting system and foreign exchange trade order management application.
- Enhanced and upgraded applications operating in legacy environments, most notably our investment accounting system.
- Continued to support the Greater Victoria United Way Campaign. Our staff raised $76,600. We were nominated for Best Leadership Campaign, Employee Campaign Chair of the Year, and Employee Campaign of the Year Award.

United Way Committee

Front Row: David E., Allison G., Lonni S.
Second Row: Hardeep B., Donna J., Glenn P., Lindsay W.
Third Row: Andrew B., Lisa W., Wendy K.
Back Row: Charlotte M., Margot G.
Not pictured: Carol A., Dean A., Joel R., Shauna L., Allie K.

BUILDING bcIMC

REASONABLE OPERATING COSTS

We are accountable to clients for the costs of managing their assets. bcIMC operates on a cost-recovery model and is not subsidized by any third-party. We adopt a culture of reasonable cost and avoid unnecessary expenses that can adversely affect returns. Managing $99.6 billion[1] and pooling assets provide economies of scale. The in-house management of 63.0 per cent[1] of the assets also offers cost advantages.

Operating costs for 2012–2013 were $201.1 million or 20.1 cents per $100 of assets under management, compared to $178.0 million or 19.3 cents per $100 in 2011–2012.[1] The primary reason for the year-over-year change was the $7.5 billion growth of net assets which resulted in an increase in external manager fees for real estate and public equities. The continued growth of our staff complement to support our strategic investment focus also increased operating costs.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The International Accounting Standards Board confirmed that investment companies will transition to International Financial Reporting Standards (IFRS) in 2014. Management and the Board are confident that we are ready for the move to IFRS-compliant pooled fund financial statements.

REDUCING OUR FOOTPRINT

bcIMC has voluntarily committed to be carbon neutral in our internal operations. We recycle and adhere to industry practices of replacing computers every three years, improving energy efficiency. Old equipment is sold to local organizations for reuse, while smaller electronic items are recycled. Our use of virtual computing contributes to our pledge.

We purchase carbon credits to offset emissions that cannot be eliminated. This annual report is also made carbon neutral by purchasing carbon credits.

EXPANDING OUR OFFICE REQUIREMENTS

Jawl Properties, our landlord, is developing a mixed-use building that includes office space to accommodate our planned growth. Work on the site adjacent to our existing offices began in 2012. Jawl Properties is targeting LEED Gold certification. The additional office space will be available for lease by 2015.

[1] Calculated on a net asset basis

A team that is invested in protecting the value of our clients' assets

A Dalrymple Bay Coal Terminal, Australia, one of the world's largest metallurgical coal export terminals, an infrastructure co-investment held since 2010

B Parkbridge Lifestyle Communities, Canada's leading owner, operator, and developer of land-lease communities, a real estate asset held since 2011

C Willowbrook Shopping Centre, Langley, B.C.'s first regional shopping centre to receive a BOMA certification, a real estate asset held since 1993

OUR BOARD OF DIRECTORS

OUR APPROACH

The *Public Sector Pensions Plans Act* (the Act) requires our Board to have seven directors as follows:

- One director appointed by the College Pension Board from among its members
- One director appointed by the Municipal Pension Board from among its members
- One director appointed by the Public Service Pension Board from among its members
- One director appointed by the Teachers' Pension Board from among its members
- Two directors, representative of other clients, appointed by B.C.'s Minister of Finance; and
- One other director appointed by B.C.'s Minister of Finance and designated to be the Chair of the Board.

These nominating bodies are aware of our criteria relating to the knowledge, experience, and skill set we look for in bcIMC directors. These criteria are disclosed on our website.

Our largest clients, accounting for 80.5 per cent of bcIMC's managed net assets, are represented on the Board.

BOARD INDEPENDENCE

All directors and the Board Chair are non-executive directors and independent of management.

RICK MAHLER Vancouver, British Columbia

Now retired, Rick was Executive Vice President and Chief Financial Officer of Finning International for 13 years. He is a director of Ten Peaks Coffee and served as Chair of Partnerships BC and Chair of Sterling Shoes. Rick's volunteer activities include serving as Chair of the Co-op Advisory Council at both Simon Fraser University and the University of Waterloo; Chair of the VGH & UBC Hospital Foundation; and Vice-Chair of the Vancouver Board of Trade. He is the recipient of awards including the Queen's Golden Jubilee Medal for Distinguished Service. Rick holds a B.Sc. from the University of Waterloo and an MBA (Finance) from McMaster University.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since December 31, 2010 Current term to December 31, 2015 Appointed by B.C.'s Minister of Finance Independent	Chair, bcIMC Board of Directors (2011–present)	11/11	100%
	Guest, Audit Committee	1/1	100%
	Guest, Corporate Human Resources and Board Governance Committee	1/1	100%

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$30,000	$12,000	–	–	$42,000

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Fording Canadian Coal Trust	2003–2008	Audit Committee Human Resources & Governance Committee (Chair)	N	–
Partnerships BC	2003–2010	–	Y	2003–2010
Sterling Shoes Inc.	2005–2013	Audit Committee Human Resources Committee	Y	2005–2013
Ten Peaks Coffee Co.	2004–present	Audit Committee (Chair)	N	–
VGH & UBC Hospital Foundation	2003–2011	Audit Committee (Chair)	Y	2007–2010

JOAN AXFORD Victoria, British Columbia

Now retired, Joan was Secretary-Treasurer for School District No. 63 (Saanich). Her 28-year involvement in public education included work with school districts and the Ministry of Education. Joan served as President of the BC Association of School Business Officials from 2002 to 2003, and as Chair of the Teachers' Pension Plan from 2010 to 2011. She is the 2005 recipient of the Larry Ozero Leadership Award for leadership in school district corporate and business administration. Joan is a professional accountant, holds a CMA designation and was awarded the designation of Fellow of the Society of Management Accountants of Canada in 2012.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since November 1, 1999 Current term to December 31, 2014 Appointed by the Teachers' Pension Board of Trustees Independent	Director, bcIMC Board of Directors	11/11	100%
	Chair, Corporate Human Resources and Board Governance Committee (2002–present)	3/3	100%
	Member, Audit Committee (2000–2002)	–	–

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$15,000	$12,000	$3,000	$1,500	$31,500

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Beacon Community Services	2012–present	Finance and Audit Committee Human Resources Committee (Vice Chair)	N	–
Teachers' Pension Plan (Trustee)	1999–present	Benefits & Communications Committee (Chair)	Y	2010–2011

DENNIS BLATCHFORD Vancouver, British Columbia

Dennis is a founding member of the Municipal Pension Board of Trustees and chaired its Governance Committee from 2008 to 2011. He is currently the Pension and Benefits Advocate for the Health Sciences Association of British Columbia. Previously Dennis was Director of Community and Social Action Programs for the BC Federation of Labour and worked in the areas of health policy reform, human rights legislation, disability advocacy, and community relations. From 1998 to 2004, he was a trustee of the Canadian Blood Services Pension Plan.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since March 28, 2012 Current term to December 31, 2015 Appointed by the Municipal Pension Board of Trustees Independent	Director, bcIMC Board of Directors	11/11	100%
	Member, Corporate Human Resources and Board Governance Committee (2012–present)	2/3	67%

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
40% of the remuneration is paid to the Health Sciences Association of British Columbia [1]	$15,000	$12,750 [2]	–	$750	$28,500

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
British Columbia Federation of Labour	2006–2008	Executive Council	N	–
Municipal Pension Plan (Trustee)	2001–present	Governance Committee (Chair)	N	–
Shareholder Association for Research and Education	2010–present	Planning Committee	N	–

[1] *$16,650 was paid to Dennis Blatchford as an individual*
[2] *Includes director orientation session*

RON McEACHERN North Saanich, British Columbia

Ron has worked in human resources and labour relations for more than 30 years. Prior to retiring in 2005, he was an Associate Deputy Minister of Employee Relations in the BC Public Service Agency. Ron holds a B.Sc. from the University of Victoria and has completed several certificate courses with International Foundation of Employee Benefit Plans in the Advanced Trustee Management Standards Program.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since April 1, 2007 Current term to March 31, 2015 Appointed by the Public Service Pension Board of Trustees Independent	Director, bcIMC Board of Directors	11/11	100%
	Member, Corporate Human Resources and Board Governance Committee (2007–present)	3/3	100%
	Guest, Audit Committee	1/1	100%

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$15,000	$12,750 [1]	–	$2,250	$30,000

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
British Columbia Pension Corporation	2008–2011	Human Resources Committee (Chair)	N	–
Public Service Pension Board (Trustee)	2002–present	Benefits Committee Communications Committee	Y	2011–present
Ron E. McEachern & Associates Ltd.	2004–present	–	Y	2004–present

[1] *Includes guest attendance at director orientation session*

JOHN WILSON New Westminster, British Columbia

John is an instructor at the School of Business, Capilano University. He was a computer audit specialist with Coopers & Lybrand and one of the first Certified Information Systems Auditors. He served as Past President of Capilano University's Faculty Association and also Chief Negotiator and Chief Steward. He has been active in pension matters for 25 years with the Federation of Post-Secondary Educators of BC. He has served on many boards including BC Pension Corporation, St. Mary's Hospital, and iGen Knowledge Solutions. John is a Chartered Accountant, is ICD.D certified and has completed the Advanced Trust Management Standards training.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since September 1, 2005 Current term to August 31, 2013 Appointed by the College Pension Board of Trustees Independent	Director, bcIMC Board of Directors	11/11	100%
	Member, Audit Committee (2005–present)	5/5	100%
	Guest, Corporate Human Resources and Board Governance Committee	3/3	100%

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
Remuneration is paid to the Federation of Post-Secondary Educators of BC	$15,000	$12,750 [1]	–	$3,750	$31,500

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Capilano University Faculty Association	1986–present	Bargaining Committee Executive Committee Joint Standing Committee	Y	2008–2011
College Pension Plan (Trustee)	2000–present	Benefits Committee Communications Committee (Past Chair) Interplan Audit Committee (Chair) Interplan Succession Committee (Past member) Litigation Committee (Past member)	Y	2011–2012
Federation of Post-Secondary Educators of BC	2008–2011 2006–2007	President's Council	N	–
Shiloh-Sixth Avenue United Church	2007–present	Board of Trustees	N	–

[1] *Includes guest attendance at director orientation session*

KEN WOODS Vancouver, British Columbia

Ken has been involved in the investment industry for more than 25 years and has significant experience as a pension plan fiduciary. He serves on WorkSafeBC's Investment Committee as an independent voting member and is President of Coolwoods Investments Ltd. Ken is an active member of the community and served on the VGH & UBC Hospital Foundation. He is currently involved with the Department of Athletics at the University of British Columbia and the St. Paul's Sinus Centre. Ken is a Fellowship Chartered Accountant. He holds a Bachelor of Mathematics from the University of British Columbia and an MBA from Concordia University.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since July 5, 2011 Current term to July 5, 2014 Appointed by B.C.'s Minister of Finance Independent	Director, bcIMC Board of Directors	11/11	100%
	Chair, Audit Committee (2012–present)	5/5	100%
	Guest, Corporate Human Resources and Board Governance Committee	1/1	100%
	Member, Audit Committee (2011–2012)	–	–

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$15,000	$12,000	$5,000	$3,000	$35,000

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
BC Golf House Society	2012–present	–	Y	2004–2011
Children's Arts Umbrella Foundation	2004–present	Investment Committee	Y	2004–2011
Concordia University Foundation	2000–2009	Investment Committee	N	–
Kenneth Woods Portfolio Management Foundation, John Molson School of Business, Concordia University	1998–present	Client Committee	Y	1998–present (Founder)
RBC Canadian Open	2011	Host Club Tournament Chair	Y	2011
VGH & UBC Hospital Foundation	2012–present 2002–2009	Investment Committee Various committees	N	–

CHERYL YAREMKO Vancouver, British Columbia

Cheryl is BC Hydro's Executive Vice-President Finance & Chief Financial Officer. Before joining BC Hydro, Cheryl was the Chief Financial Officer for BC Railway Company. She currently serves on the board of UBC Investment Management Trust. Cheryl has served on the board of Ballet BC and the British Columbia Chapter of the Financial Executives International. Cheryl is a Chartered Accountant and has a B.Com (Honours) with a Major in Finance from the University of British Columbia.

bcIMC Board and Committee Appointments		2012–2013 Attendance	
Director since December 31, 2012 Current term to December 31, 2015 Appointed by B.C.'s Minister of Finance Independent	Director, bcIMC Board of Directors	1/1	100%
	Guest, Audit Committee	1/1	100%

bcIMC Director Remuneration 2012–2013	Annual Retainer	Board Meeting Fee	Committee Chair Fee	Committee Meeting Fee	Total
	$3,750	$2,250[1]	–	–	$6,000

Other Board Directorships/Trusteeships During the Last Five Years	Term	Committee Appointments	Board Chair Positions & Term	
Ballet BC	2003–2011	Treasurer (2006–2011)	N	–
Financial Executives International (BC Chapter)	2010–2012	Events Committee	N	–
InTransit BC	2009–2012	–	N	–
UBC Investment Management Trust Inc.	2010–present	Audit Committee (Chair) Investment Committee	N	–

[1] *Includes director orientation session*

OUR CORPORATE GOVERNANCE

THE GOVERNANCE FRAMEWORK

bcIMC was established by the *Public Sector Pension Plans Act* (the Act) in 1999. The Board oversees bcIMC's operations, reviews and monitors the CEO/CIO's performance, and ensures proper reporting and accountability to our clients. The Board is also required to approve pooled fund investment policies, to select and establish the remuneration of our CEO/CIO and auditors, to approve the business plan and annual budget, and to establish an employee classification system and compensation scale. The Board Mandate clarifies the Board's duties and responsibilities and is available on the website.

Investment professionals under the supervision of the CEO/CIO make all investment decisions within the framework of the policies approved by the Board and established by bcIMC's clients.

Our Board of Directors

Front Row: John Wilson, Dennis Blatchford, Cheryl Yaremko, Rick Mahler

Back Row: Joan Axford, Ron McEachern, Ken Woods

ROLE AND ACCOUNTABILITY OF THE CHIEF INVESTMENT OFFICER

The Act defines the Chief Investment Officer as the Chief Executive Officer with responsibility for bcIMC's day-to-day operations. The CEO/CIO is accountable to the Board for the efficiency and effectiveness of the corporation in carrying out its mandate. The CEO/CIO is also responsible to each client regarding its individual investment policy, asset mix policy, and performance.

Among other responsibilities, the CEO/CIO hires staff and external managers, prepares the annual business plan and budget, and establishes policies and procedures to meet operational objectives. The CEO/CIO ensures that risk and returns are managed in a prudent and appropriate fashion consistent with client instructions and recommends changes in investment strategies to clients.

BOARD ACTIVITY AND COMMITTEES

The Board meets on a quarterly basis. Meetings are scheduled in advance. Additional meetings are arranged when issues arise that require immediate board attention. The Board has two standing committees:

- The Audit Committee, consisting of three directors, meets at least three times a year, and oversees the audit programs, financial management controls, and financial reporting. The Committee revised its mandate during the year to ensure alignment of its role with best practices.
- The Corporate Human Resources and Board Governance Committee (HRGC), consisting of three directors, meets at least twice a year and reviews human resource strategies, compensation philosophy, succession management, performance incentive plans, and employee classification systems. As a result of the review of the HRGC mandate in 2011–2012, board governance was added to its functions.

The CEO/CIO attends all board and committee meetings (although the CEO/CIO cannot be a director).

The Board of Directors is responsible for ensuring bcIMC has appropriate controls and accountabilities in place and that bcIMC provides satisfactory service to our clients

DIRECTOR ATTENDANCE

The Board met on 11 occasions, the Audit Committee on five, and the HRGC on three. Two orientation sessions were held for incoming directors. Directors who are not members of a committee may observe those meetings and may also attend director orientations.

There was 100 per cent attendance for most of the 2012–2013 meetings. Details for individual directors are included in their profiles on pages 52 to 55. Anne Lippert, whose term ended in December 2012, attended all board and audit committee meetings.

DIRECTOR ORIENTATION PROGRAM

The CEO/CIO and senior management lead the orientation. New directors are briefed on the Board's role and responsibilities, our business plan, budget, human resource policies, and risk management programs. The Board Recovery Plan and details on key operational functions are also addressed.

DIRECTOR CODE OF CONDUCT

The Code of Conduct (available on our website) outlines the minimum standard of conduct. Directors must make timely disclosure of direct or indirect interest, material or not, in any proposed or completed bcIMC contract, transaction, or investment. Directors must also abstain from voting on matters in which they have a personal interest. The HRGC reviews this Code every two years.

BOARD EVALUATION AND ASSESSMENT

Each year the directors complete a self-evaluation process that assesses the effectiveness of the Board in key areas and elicits suggestions for improvement. The Board discusses the results and identifies areas that require additional or new emphasis. The Chair of the HRGC administers the process.

CONTINUING DIRECTOR EDUCATION

bcIMC budgets an amount to enable directors to benefit from courses and conferences offered by third parties. Guest speakers may also attend board meetings.

Directors take personal responsibility for selecting educational opportunities. We encourage them to enrol in professional development courses and participate in industry-related seminars.

DIRECTOR REMUNERATION

The Act provides that bcIMC may pay directors for their service on the Board and its Committees that is consistent with the Province of British Columbia's Treasury Board guidelines. If a director already receives remuneration for board or committee service, such fees are paid to their employer. Remuneration levels are as follows.

POSITION	ANNUAL RETAINER	PER DIEM
Board Chair	$30,000	$750
Director	$15,000	$750
Audit Committee Chair	$5,000	$750
HRGC Chair	$3,000	$750
Committee Member	–	$750

When board meetings take place over two days, a per diem is paid for each day. In instances where a committee and board meeting are held on the same day, only one per diem is paid.

Total remuneration for the Board was $228,500 in 2012–2013 (2011–2012: $184,411). Details for individual directors are included in their profiles. Anne Lippert was paid $24,000.

COMPENSATION DISCUSSION AND ANALYSIS

bcIMC recruits and seeks to retain talented and motivated staff with the skills and expertise to provide leadership in a complex investment environment. For this we offer rewarding work opportunities, support continued professional development, and pay competitive base salaries.

We are responsible for safeguarding our clients' assets and generating long-term wealth. We are accountable to our clients for the investment returns and the costs involved in managing their assets. We operate on a cost recovery model. Investment management fees are charged to the investment pools and clients.

HRGC MANDATE

The Corporate Human Resources and Board Governance Committee (HRGC) assists the Board in ensuring that bcIMC retains a highly effective team and that human resource practices continue to align employee performance with client expectations. The HRGC monitors and makes recommendations to the Board on the following matters:

- trends and external market practices for compensation, benefits, and terms and conditions of employment
- oversight of risks associated with human resources activities
- employee Code of Conduct provisions
- bcIMC's job classification system and compensation scale
- comparators and competitive positioning of compensation
- bcIMC's performance incentive plans
- salary and performance-related matters for the CEO/CIO
- bcIMC's succession planning
- professional development and training strategies
- new human resource strategies and supporting policies
- self-evaluation plans of the Board and its committees
- best practices and trends in board governance.

The HRGC consists of three directors, appointed by the Board, with diverse backgrounds and experience in business and human resource matters. Members are independent of management. Joan Axford is the chair; Dennis Blatchford and Ron McEachern are committee members. The other directors may also attend committee meetings as guests. The CEO/CIO and Senior Vice President, Human Resources attend the meetings.

The HRGC meets at least twice a year. In 2012–2013, the committee met on three occasions, which included three *in camera* sessions.

COMPENSATION PHILOSOPHY AND STRUCTURE

The Board's philosophy is to pay median base salary levels complemented by performance incentive plans designed to align staff interests with our clients' return requirements (while discouraging undue risk-taking) and with bcIMC's strategic business objectives.

Our compensation structure includes base salary, benefits, and performance-based remuneration through an annual incentive plan (AIP) and a long-term incentive plan (LTIP) for senior roles. As a statutory corporation with one share with a par value of $10, bcIMC does not issue share options to our staff.

Base Salary: The Board's philosophy to pay median salaries guides the salary decisions of the positions classified within bcIMC's three job streams. The comparator group for investment management roles consists of the large in-house Canadian public pension

In our highly specialized industry, we compete globally for investment professionals who are responsible for generating long-term wealth and protecting the value of our clients' assets

funds. For non-investment roles, the comparator group is expanded to include relevant public and private sector employers within western Canada.

Benefits: Employment benefits include bcIMC-funded health and welfare coverage such as medical, extended health, dental, health spending account, and life insurance coverage. bcIMC pays employer contributions on behalf of our staff to the Public Service Pension Plan and legislated benefits such as Canada Pension Plan, Employment Insurance, and Worker's Compensation. A short-term illness and injury plan and a long-term disability plan protect permanent staff against wage loss.

Annual Incentive Plan: All permanent employees are eligible to participate in the AIP. The plan aligns employee performance with the achievement of client-driven investment and business objectives. AIP payments are calculated as a percentage of base salary, weighted to reflect the role and impact the position has on corporate results.

A portion of the AIP payment is derived from the annual investment performance with a greater component determined by the investment return performance over a four-year period. The remainder of the payment reflects individual and team achievement of other business and bcIMC-wide objectives relating to client services, risk management, responsible investing and building bcIMC.

Three value drivers are used to rate performance:

Driver 1: Total Fund Performance – overall investment performance is measured against industry or client-approved benchmarks. The value-added component is assessed net of investment management costs. This driver is intended to align overall investment performance with client expectations and promote corporate collaboration.

Driver 2: Business Unit Performance – the department's role in delivering investment returns and contributing to business objectives and long-term strategies. This is intended to direct employees' efforts to achieving business plan objectives and to promoting business unit teamwork.

Driver 3: Individual Contribution – the individual's performance is measured against the competencies relevant to their role. This is intended to encourage and reward high performance.

Disbursement of payments under the AIP occurs in the fiscal year after it is earned. To show the alignment between the AIP payment and performance, the Summary Compensation Table (on page 62) reports AIP in the year it was earned.

Long-Term Incentive Plan: This plan is designed to enhance the retention of senior staff with the skills and experience that will enable bcIMC's long-term success.

LTIP provides the opportunity to earn additional remuneration based on investment return performance (net of costs) over a four-year period. This is accomplished by linking a portion of the personal remuneration to bcIMC's long-term total fund investment performance. If bcIMC fails to generate value-added investment returns in a year, the annual credit is assessed at zero. This zero-weighting affects LTIP payments for four years. Similarly, value-added performance generates a payment that is disbursed over a four-year period.

There is a vesting requirement before the first payment is disbursed to the eligible staff member. Payments begin once an employee has contributed to bcIMC's performance in each of the four years. Should an employee resign, all vested deferred credits are forfeited. On retirement, the full vested deferred value is disbursed in a single payment.

As with the AIP, the actual disbursement of the payment occurs in the following fiscal year. The Summary Compensation Table (on page 62) reports LTIP in the year it became payable and shows the alignment between the LTIP payment and performance.

COMPENSATION CONSULTANTS AND EXTERNAL SOURCES

bcIMC's compensation philosophy and structure is regularly reviewed. Base salaries are assessed each year to ensure alignment with the compensation philosophy. Relevant data from Towers Watson's compensation surveys inform the HRGC's decisions on annual compensation.

In-depth reviews are conducted every three years, with 2010–2011 being the most recent. The Board retained Hugessen Consulting Inc., an independent compensation consultancy, to review the compensation philosophy and structure, and analyze the pay-for-performance linkages.

The next in-depth review is scheduled for 2013–2014. The Board will appoint compensation consultants to assist with the process.

PERFORMANCE ASSESSMENT FOR 2012–2013

Global capital markets continued to be volatile in 2012–2013, reacting to macroeconomic and geopolitical events. Although the markets created unique investment challenges, it also presented opportunities to continue to build our clients' portfolios by investing in quality companies and assets.

bcIMC's gross assets under management increased by $7.3 billion, ending the fiscal year with $102.8 billion. Combined pension plan returns, net of fees, exceeded our clients' return expectations by 1.7 percentage points – the one-year annual return was 9.5 per cent compared to a combined market benchmark of 7.8 per cent. bcIMC's investment activities generated $1.5 billion in additional value for our pension clients. The value-added performance is calculated as the clients' total portfolio return, net of investment management fees, minus the benchmark return, and multiplied by the market value.

Domestic real estate and public equities were the primary drivers of this value-added performance. bcIMC and our clients began significantly increasing their asset allocations towards real assets such as real estate and infrastructure in 2011. The heavier weighting towards these asset classes is beginning to drive investment returns.

Generating investment returns that exceed industry or client-approved benchmarks is an essential component of assessing bcIMC's performance. The achievement of company-wide objectives and the implementation of strategic initiatives aligned with the key components of our business are also considered.

bcIMC's business plan, which is approved by the Board, outlines the company's non-financial goals and strategic initiatives. Departmental objectives for each fiscal year are aligned with the business plan. The Board regularly reviews the company's progress towards accomplishing these goals. Performance for 2012–2013 was evaluated as follows:

BUSINESS PLAN PILLAR	KEY OBJECTIVE	ACTUAL PERFORMANCE
PILLAR ONE: **Investment Returns**	Generate client wealth, meet our clients' investment objectives and protect their capital.	Generated $1.5 billion in value-added returns
PILLAR TWO: **Risk Management**	Continually identify and manage enterprise-wide risks that could affect investment outcomes and impact operational efficiency.	Achieved
PILLAR THREE: **Responsible Investing**	Continue to integrate environmental, social, and governance issues into our investment analysis and decision-making processes, as well as our culture.	Achieved
PILLAR FOUR: **Client Services**	Continue to provide exemplary service to our clients by creating a culture of service and exceeding our clients' return and service expectations, ensuring we remain their manager of choice.	Achieved
PILLAR FIVE: **Building bcIMC**	Build a culture of wealth creation that is supported by a forward-looking and global mindset.	Achieved

LONG-TERM INCENTIVE PLAN CREDITS AND PAYMENTS

Over the April 2009 to March 2013 period, bcIMC's investment performance added value in three of the four years. The value-added performance in 2012–2013 generated a credit of 24.0 per cent, with 25.0 per cent being the maximum. The credits for each of the years in the four-year period are shown in the table below.

YEAR	MAXIMUM INSTALMENT WEIGHTING TOWARDS FUTURE LTIP PAYMENT (%)	ACTUAL CREDIT (%)
2009–2010	25.0	0.0
2010–2011	25.0	23.9
2011–2012	25.0	23.8
2012–2013	25.0	24.0
TOTAL	**100.0%**	**71.7%**

As the value-added performance was delivered in three of the four years, LTIP payments for 2012–2013 reflect 71.7 per cent of the maximum opportunity. The zero-year in 2009–2010 negatively affected incentive payments from 2009–2010 up to and including payments for value-added investment activity for 2012–2013.

As the LTIP includes a payment deferral component, the accrual of credits for future payments under this program has increased in comparison to the previous years with zero credits. This accrual increase is due to the three most recent years that generated above benchmark returns. The increase in the number of participants in the LTIP program and Board-approved changes following the last independent compensation review also impacted the accrual.

EXECUTIVE COMPENSATION

The total compensation of the five most highly remunerated officers for 2012–2013, with comparable amounts for 2011–2012 and 2010–2011 is disclosed in the Summary Compensation Table on page 62.

The AIP and LTIP payments for the Chief Executive Officer / Chief Investment Officer and the other named executive officers reflect the investment performance that exceeded our clients' combined market benchmark and generated $1.5 billion in additional value, net of costs. These payments also recognize their department's contribution to the returns and other business objectives, and their individual contribution. Total compensation for bcIMC's named executive officers was $5.3 million in 2012–2013 ($4.1 million in 2011–2012).

Total cost of salaries and benefits for our entire staff complement was $40.6 million in 2012–2013 (4.1 cents per $100 of assets under administration) compared to $36.1 million in 2011–2012 (4.0 cents per $100 of assets under administration). This year-over-year change reflects the increase in performance-based pay resulting from adding $1.5 billion in value and the growth in bcIMC's staff complement. The continued growth of our staff complement supports bcIMC's strategic initiative to increase the amount of assets managed internally.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	BASE SALARY [1]	ANNUAL INCENTIVE [2,3]	LONG-TERM INCENTIVE PLAN [2,3]	PENSION CONTRIBUTIONS [4]	OTHER BENEFITS [5]	TOTAL COMPENSATION [6]
Doug Pearce Chief Executive Officer/ Chief Investment Officer	**2012–2013**	$513,239	$650,831	$291,024	$57,687	$69,345	$1,582,126
	2011–2012	$466,783	$517,939	$167,424	$50,977	$57,820	$1,260,943
	2010–2011	$466,396	$393,897	$106,515	$50,605	$46,004	$1,063,417
Lincoln Webb Senior Vice President, Private Placements	**2012–2013**	$333,606	$405,717	$192,454	$38,053	$59,389	$1,029,218
	2011–2012	$312,578	$351,304	$112,114	$34,470	$43,023	$853,489
	2010–2011	$312,318	$275,493	$64,223	$34,380	$38,093	$724,507
Daryl Jones Senior Vice President, Research and Risk Measurement	**2012–2013**	$236,100	$265,280	$446,656	$27,395	$49,531	$1,024,962 [7]
	2011–2012	$229,224	$227,434	$82,217	$25,825	$27,470	$592,170
	2010–2011	$229,206	$170,258	$53,057	$27,155	$22,769	$502,445
Bryan Thomson Senior Vice President, Equity Investments	**2012–2013**	$292,547	$309,758	$168,773	$33,565	$43,116	$847,759
	2011–2012	$279,099	$251,790	$98,321	$30,944	$31,058	$691,212
	2010–2011	$263,916	$176,646	$60,233	$29,283	$23,611	$553,689
Paul Flanagan Senior Vice President, Fixed Income	**2012–2013**	$272,017	$304,090	$153,034	$31,092	$35,985	$796,218
	2011–2012	$249,204	$247,388	$87,526	$27,796	$32,734	$644,648
	2010–2011	$224,771	$175,623	$51,816	$24,593	$19,919	$496,722

[1] Base salaries are guided by the Board's compensation philosophy to pay market median among other large pension fund managers in Canada.

[2] The values of incentive payments are listed beside the performance year in which it is earned; the actual disbursement occurs in the following fiscal year.

[3] A component of the incentive plan value reflects performance over a four-year timeframe.

[4] These values represent the contributions paid by bcIMC on behalf of the named individuals to the Public Service Pension Plan and the Canadian Pension Plan.

[5] These values include bcIMC-funded group health and welfare benefits and illness wage-loss provisions, parking, and contributions paid by bcIMC on behalf of the named individuals for legislated benefits such as Employment Insurance and Workers' Compensation. A payout of unused vacation entitlement may also be included in this value.

[6] Values in this table constitute the total compensation earned by or paid on behalf of the identified individuals. All values are inclusive.

[7] As a retiring employee, the incumbent received remuneration that included a single payment for the four-year vested value of the Long-Term Incentive Plan.

Investment Management Corporation

CORPORATE FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

bcIMC Investment Management Corporation

3rd floor, 2940 Jutland Road
Victoria BC, V8W 5K6

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements of the British Columbia Investment Management Corporation (the Corporation) rests with management. The financial statements, which by necessity include some amounts that are based on management's best estimates and judgments, are prepared in accordance with International Financial Reporting Standards. In management's opinion, the financial statements have been properly prepared within the framework of the significant accounting policies summarized in the financial statements and present fairly the Corporation's financial position, results of operations and cash flows. The financial statements have been reviewed and approved by the Corporation's Board of Directors.

Systems of internal control and supporting procedures are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records maintained. The internal accounting control process includes management's communication to employees of policies that govern ethical business conduct.

These consolidated financial statements have been examined by the Corporation's independent auditor, KPMG LLP, and their report is presented herein.

Doug Pearce
Chief Executive Officer /
Chief Investment Officer

David Woodward
Senior Vice President, Finance

June 28, 2013

INDEPENDENT AUDITOR'S REPORT

KPMG

To the Shareholder of British Columbia Investment Management Corporation

We have audited the accompanying consolidated financial statements of British Columbia Investment Management Corporation, which comprise the consolidated statements of financial position as at March 31, 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, which comprise a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of British Columbia Investment Management Corporation as at March 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Accountants
June 28, 2013
Vancouver, Canada

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in thousands of dollars)

As at March 31, 2013, with comparative information for 2012

	Note	2013	2012
Assets			
Current assets:			
Cash and cash equivalents	4	19,564	15,721
Trade and other receivables	5	32,635	29,955
Prepaid expenses		1,105	853
		53,304	46,529
Property, plant and equipment	6	1,140	566
		54,444	47,095
Liabilities and Shareholder's Equity			
Current liabilities:			
Trade and other payables	7, 8	42,217	37,259
Long-term employee benefits	9	7,201	5,650
Shareholder's equity:			
General reserve		2,687	2,691
Retained earnings		2,339	1,495
		5,026	4,186
Operating leases	10		
		54,444	47,095

See accompanying notes to consolidated financial statements

Approved on behalf of the Board:

Director

Director

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Expressed in thousands of dollars)

Year ended March 31, 2013, with comparative information for 2012

	Note	2013	2012
Revenues			
Recoveries of direct costs	11	146,636	129,920
Funds management fees		55,047	47,863
Investment income	12	263	193
		201,946	177,976
Expenses			
Direct costs	11	146,636	129,920
Salaries and benefits	8, 13	40,634	36,113
General and administrative	8, 14	8,971	8,382
Other	15	4,865	3,604
		201,106	178,019
Net income (loss) and comprehensive income (loss)		840	(43)

See accompanying notes to consolidated financial statements

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in thousands of dollars)

Year ended March 31, 2013, with comparative information for 2012

	General reserve	Retained earnings	Total equity
Balance as at March 31, 2011	2,691	1,538	4,229
Comprehensive income	–	(43)	(43)
Balance as at March 31, 2012	2,691	1,495	4,186
Transfer to (from) general reserve	(4)	4	–
Comprehensive income	–	840	840
Balance as at March 31, 2013	2,687	2,339	5,026

See accompanying notes to consolidated financial statements

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in thousands of dollars)

Year ended March 31, 2013, with comparative information for 2012

	2013	2012
Cash flows provided by (used in)		
Operations:		
Comprehensive income (loss)	840	(43)
Items not involving cash:		
Depreciation	305	279
	1,145	236
Changes in non-cash items:		
Trade receivables	(2,680)	13,741
Prepaid expenses	(252)	(135)
Accounts payable and accrued liabilities	4,958	(10,371)
Long-term employee benefits	1,551	3,147
Net cash provided by (used in) operating activities	4,722	6,618
Investments:		
Property, plant and equipment additions	(879)	(62)
Increase in cash and cash equivalents	3,843	6,556
Cash and cash equivalents, beginning of year	15,721	9,165
Cash and cash equivalents, end of year	19,564	15,721
Cash and cash equivalents are comprised of		
Cash in bank	520	240
Short-term money market instruments	19,044	15,481
	19,564	15,721

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)
Year ended March 31, 2013

1. REPORTING ENTITY

The British Columbia Investment Management Corporation (the Corporation) is a statutory corporation incorporated under section 16 of the *Public Sector Pension Plans Act*, SBC 1999 c44 (the Act) domiciled in Canada. The address of the Corporation's office is Sawmill Point, 2940 Jutland Road, Victoria, BC. The consolidated financial statements of the Corporation include the Corporation and its subsidiaries.

In accordance with the Act, the Corporation invests the money or securities of various public sector pension funds, the Province of British Columbia, provincial government bodies (Crown corporations and institutions) and publicly-administered trust funds.

The estimated market value of assets managed by the Corporation as of March 31, 2013 was $100 billion (2012 – $92 billion). Of that, approximately $80 billion (2012 – $74 billion) is invested on behalf of pension funds and $20 billion (2012 – $18 billion) on behalf of various publicly-administered trust funds and clients. These assets are held by bcIMC as agent for investment for its clients and may consist of units in one or more pooled investment portfolios whose assets are managed and held by the Corporation as trustee. The Corporation annually prepares separate audited financial statements for each pooled investment portfolio with more than one unitholder. Neither assets held by the Corporation as trustee of the pooled investment portfolios nor assets held by the Corporation as agent for investment for its clients are consolidated in the financial statements of the Corporation.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and were authorized for issue by the Board of Directors on June 28, 2013.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except long-term employee benefits which are measured at the present value of the expected future benefit.

(c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional currency. All financial information presented has been rounded to the nearest thousand dollars, unless otherwise indicated.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant areas of estimation include long-term employee benefits. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(e) Change in accounting policy

The Corporation has early adopted IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, with an initial application date of April 1, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

Subsidiaries are consolidated in the Corporation's financial statements, from the date that control commences until the date that control ceases.

(b) Cash and cash equivalents

Cash and cash equivalents include money market funds which are readily convertible to cash.

(c) Financial instruments

The Corporation initially recognizes loans and receivables and other liabilities on the date that they are originated. All other financial assets (including any assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Corporation becomes a party to the contractual provisions of the instrument.

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Corporation is recognized as a separate asset or liability. The Corporation derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Corporation has the following classifications of non-derivative financial instruments – loans and receivables and other liabilities.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Trade and other receivables are classified as loans and receivables and are accordingly measured at amortized cost.

Other liabilities are recognized initially at fair value, net of transaction costs. Subsequently, other liabilities are measured at amortized cost using the effective interest method. Trade and other payables are classified as other liabilities and accordingly are measured at amortized cost

(d) Property, plant and equipment

(i) Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized within net income.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leasehold improvements are amortized on a straight-line basis over the remaining life of the lease term.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and equipment	10 years
Computers and related software	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(e) Share capital

The capital of the Corporation is one share with a par value of ten dollars and is classified as equity. The share is issued to and registered in the name of the Minister of Finance and must be held by that Minister on behalf of the Government of British Columbia.

(f) Reserve

The Corporation maintains a general reserve for future expenditures which may be appropriated from retained earnings at the discretion of the Board of Directors. The Board has authorized access to the general reserve for the purposes of certain employee compensation payments and for errors and omissions payments.

The Corporation must recover its operating costs and capital expenditures. The Corporation's Board of Directors may approve recoveries greater than costs and expenditures to maintain or increase the Corporation's retained earnings and general reserve.

(g) Revenue

The Corporation's revenues comprise operating costs and capital expenditures that are recovered from: amounts charged to pooled investment portfolios and client accounts for operating costs and capital expenditures necessarily incurred by the Corporation on behalf of the pooled investment portfolios it manages; amounts charged to clients for services provided to those clients by the Corporation; and income accruing from investments made by the Corporation on its own behalf.

(i) Direct costs recoveries and funds management fees

Amounts charged to the pooled investment portfolios and clients are accrued as the related costs and expenditures are incurred and as the services are provided. Fees are charged at a level that the Corporation estimates will allow it to recover all cash outlays and accrued expenses, including capital expenditures, and maintain or increase retained earnings and general reserves.

(ii) Investment income

Investment income is recorded on an accrual basis and includes interest income on cash and cash equivalents.

(h) Employee benefits

(i) Defined benefit plans

The Corporation and its employees contribute to the Public Service Pension Plan (the Plan) which is a multi-employer defined benefit

pension plan in accordance with the Act. The British Columbia Pension Corporation administers the Plan, including payment of pension benefits to employees to whom the Act applies. Due to insufficient information relating to the Corporation's share of the Plan's assets and liabilities, and in accordance with IAS 19, the Corporation accounts for the Plan as if it were a defined contribution plan. The Corporation's annual cost is represented by contributions required for the respective year.

The Plan operates under joint trusteeship between the employers and the Plan members, who share in the risks and rewards associated with the Plan's unfunded liability or surplus. The most recent actuarial valuation as of March 31, 2011 indicated that the Plan was 98 per cent funded, as a result, effective April 1, 2012 each of the employee and employer pension contribution rates increased by 0.4 per cent of salary.

(ii) Long term incentive plan

The Corporation provides a retention incentive to employees in senior staff positions through a long-term incentive plan (LTIP). Eligible staff are entitled to their first LTIP payment in their fourth year of employment with the Corporation. LTIP is accrued for eligible employees at an amount equal to one quarter of the estimated aggregate pay-out for the current year and each of the following three years. The estimated payments for years beyond the next fiscal year are recorded as a long-term liability.

(iii) Long service retiring allowance

Employees hired prior to October 31, 2007 are entitled to a long service retiring allowance as provided for under their terms of employment. As employees render the services necessary to earn the benefit, the Corporation estimates and accrues the future obligation for retiring allowances.

The benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on AA credit-rated bonds that have maturity dates approximating the terms of the Corporation's obligations. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(i) Leased assets

(i) Classification

The Corporation does not have any leases classified as finance leases where it assumes substantially all the risks and rewards of ownership. The Corporation has operating leases and they are not recognized in the statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognized in net income on a straight-line basis over the term of the lease.

(j) Taxation

As a corporation whose only share is owned by Her Majesty in right of a province, the Corporation is exempt from federal income taxes. As an agent of the government of British Columbia, the Corporation is not liable to British Columbia taxation except as the government of British Columbia is liable for British Columbia taxation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)
Year ended March 31, 2013

(k) Adoption of new accounting policies

IFRS 10: *Consolidated financial statements*:

IFRS 10 introduces a new control model that is applicable to all investees. IFRS 10 establishes the principles of control and introduces a new approach to determining whether an investor controls an investee and therefore must consolidate the investee. The standard introduces a single consolidation model. Among other things, it requires the consolidation of an investee if the investor controls the investee on the basis of *de facto* circumstances.

In accordance with the transitional provisions of IFRS 10, the Corporation re-assessed its control of investees at April 1, 2012. Based on this assessment, the adoption of IFRS 10 did not change the Corporation's conclusions around control of its investees. Therefore, no adjustments were required to the consolidated financial statements.

IFRS 11: *Joint arrangements*:

Under IFRS 11, an entity classifies its interests in joint arrangements as either joint operations or joint ventures depending on the entity's rights to the assets and obligations for the liabilities of the arrangement. The Corporation does not participate in activities that constitute a joint arrangement. Therefore, the adoption of IFRS 11 does not have an impact on the consolidated financial statements.

IFRS 12: *Disclosure of Interests in Other Entities*:

IFRS 12 requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The Corporation has included the required disclosure in note 19 of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2013

4. CASH AND CASH EQUIVALENTS

2013	Canadian	U.S.	Total
Cash	499	21	520
Cash equivalents	19,019	25	19,044
	19,518	46	19,564

2012	Canadian	U.S.	Total
Cash	223	17	240
Cash equivalents	15,368	113	15,481
	15,591	130	15,721

Cash equivalents consist of units in pooled investment portfolios managed by the Corporation, specially the Canadian Money Market Fund ST2 and the U.S. Money Market Fund ST3. U.S. dollar investments are translated at the year-end foreign currency exchange rate.

5. TRADE AND OTHER RECEIVABLES

	2013	2012
Pooled fund receivables	25,156	22,914
Fees receivables	5,884	5,493
Other receivables	1,595	1,548
	32,635	29,955

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2013

6. PROPERTY, PLANT AND EQUIPMENT

	Furniture and equipment	Computers and related software	Leasehold improvements and interests	Total
Cost				
Balance as at April 1, 2011	563	1,426	1,664	3,653
Assets acquired	20	42	–	62
Balance as at March 31, 2012	583	1,468	1,664	3,715
Assets acquired	6	727	146	879
Balance as at March 31, 2013	589	2,195	1,810	4,594
Accumulated Depreciation				
Balance as at April 1, 2011	382	1,301	1,187	2,870
Depreciation for the year	29	59	191	279
Balance as at March 31, 2012	411	1,360	1,378	3,149
Depreciation for the year	28	92	185	305
Balance as at March 31, 2013	439	1,452	1,563	3,454
Carrying Amounts				
As at March 31, 2012	172	108	286	566
As at March 31, 2013	150	743	247	1,140

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)
Year ended March 31, 2013

7. TRADE AND OTHER PAYABLES

	2013	2012
Direct cost payable	22,931	20,500
Trade accounts payable	2,724	3,434
Benefits payable	16,562	12,280
Other payables	–	1,045
	42,217	37,259

8. RELATED PARTIES

The Corporation is related to all Province of British Columbia ministries, agencies and Crown corporations through common ownership. Transactions with these entities are in the normal course of operations and are recorded at the exchange amounts.

A portion of the Corporation's expenses are paid to related parties. These amounts, which are included in general and administrative expenses, are as follows:

	2013	2012
Systems operations	466	410
Office and business	165	168
	631	578

Related party transactions included in trade and other payables are as follows:

	2013	2012
Systems operations	68	59
Office and business	13	13
	81	72

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)
Year ended March 31, 2013

Key management personnel compensation:

	2013	2012
Base salary	1,648	1,547
Annual incentive	1,936	1,622
Other short-term benefits	257	197
Long-term incentive plan	1,252	550
Termination benefits	–	–
Post employment benefits – pension contributions	188	171
	5,281	4,087

9. LONG TERM EMPLOYEE BENEFITS

2013	LTIP	LSRA	Total
Present value of obligations	9,823	1,170	10,993
Less short term portion included in trade and other payables – benefits payable	3,369	423	3,792
Long term employee benefits obligations	6,454	747	7,201

2012	LTIP	LSRA	Total
Present value of obligations	6,611	1,055	7,666
Less short term portion included in trade and other payables – benefits payable	1,650	366	2,016
Long term employee benefits obligations	4,961	689	5,650

(Tabular amounts expressed in thousands of dollars)

10. OPERATING LEASES

The Corporation leases premises under various operating leases which expire in 2015 and 2017, subject to various renewal options contained within the lease agreements. In addition, the Corporation has entered into a new lease agreement for premises with an approximate commencement date of February 1, 2015.

Minimum lease payments based on current and new lease agreements in effect as at the periods below are as follows:

	2013	2012
Less than 1 year	1,387	1,305
Between 1 and 5 years	12,581	2,581
More than 5 years	16,630	–
	30,598	3,886

11. REVENUES

Costs related to providing funds management services on behalf of pooled investment portfolios or clients' segregated investments are recovered directly from those entities and clients. These direct costs are shown as expenses, and the recovery of these costs as revenue, in the Consolidated Statements of Comprehensive Income.

The breakdown of direct costs as reported in the Consolidated Statements of Comprehensive Income is as follows::

Direct Costs	2013	2012
Investment	133,979	115,380
Custodial	8,556	9,720
Legal, audit, other	4,101	4,820
	146,636	129,920

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)
Year ended March 31, 2013

12. INVESTMENT INCOME

	2013	2012
Interest	4	5
Money market	259	188
	263	193

13. SALARY AND BENEFITS

	2013	2012
Salaries	20,346	18,651
Benefits	3,784	3,550
Annual Incentive Plan	11,642	9,102
Long Term Incentive Plan	4,862	4,810
	40,634	36,113

Benefits are comprised of:

	2013	2012
Medical and dental	644	594
Pension	2,067	1,823
Retirement allowance	143	116
Insurance and others	930	1,017
	3,784	3,550

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Tabular amounts expressed in thousands of dollars)
Year ended March 31, 2013

14. GENERAL AND ADMINISTRATIVE COSTS

	2013	2012
Systems operations (note 8)	5,507	4,974
Office and business (note 8)	1,427	1,391
Rent	1,379	1,348
Insurance	658	669
	8,971	8,382

15. OTHER EXPENSES

	2013	2012
Professional services	3,550	2,684
Recruitment and training	653	413
Board costs	353	229
Depreciation	305	278
Errors and omissions	4	–
	4,865	3,604

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of the Corporation's financial instruments which includes cash and cash equivalents, trade and other receivables, and trade and other payables approximates its carrying value due to the short-term to maturity of these instruments.

17. FINANCIAL RISK MANAGEMENT

In the ordinary course of operations, the Corporation may be exposed to risk arising from its financial instruments as follows:

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Corporation's cash equivalents and trade and other receivables.

The Corporation's cash equivalents consist of units in money market investment portfolios managed by the Corporation. The trade and other receivables relate primarily to fees and receivables from pooled investment portfolios managed by the Corporation and are generally short-term in nature.

Due to the Corporation's role as fund manager for the pooled investment portfolios and the highly liquid nature of the Corporation's cash equivalents, management does not believe the Corporation is exposed to significant credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they fall due. The Corporation operates on a cost recovery basis and recovers all of its expenses through the pooled investment portfolios and segregated client accounts it manages. Accordingly, management does not believe the Corporation is exposed to significant liquidity risk.

(c) Currency risk

Currency risk is the risk that the Corporation's financial instruments will fluctuate in value from changes in value of foreign currencies in relation to the Canadian dollar. The Corporation does not hold significant financial assets or have significant financial obligations denominated in other than Canadian dollars. Accordingly, management does not believe the Corporation is exposed to significant currency risk.

(d) Interest rate risk

Interest rate risk refers to the effect on the fair value or future cash flows of financial instruments due to fluctuation in both long-term and short-term nominal and real interest rates. The Corporation's cash equivalents are in units of money market investment portfolios that are interest rate sensitive, however the underlying financial instruments re-price on a frequent basis. Other financial assets and liabilities have a short-term to maturity. As investment earnings are not material, management does not believe the Corporation is exposed to significant interest rate risk.

(e) Other price risk

Other price risk is the risk that the fair value of the Corporation's financial instruments will fluctuate because of changes in market prices, other than those arising from currency risk or interest rate risk. Management does not believe the Corporation's financial instruments are exposed to significant other price risk.

18. CAPITAL MANAGEMENT

The Corporation's capital consists of general reserve and retained earnings. The Corporation operates on a cost recovery basis. From time to time, the Corporation's Board of Directors may approve recoveries greater than costs to maintain or increase the Corporation's retained earnings and general reserve.

19. SUBSIDIARY AND STRUCTURED ENTITIES

The Corporation consolidates entities when all three of the following characteristics are present:

- Where the Corporation exerts power over the relevant activities of the entity. Power exists if the Corporation has decision making authority over those activities that significantly influence the entity's returns.
- Where the Corporation has exposure or rights to variability of returns of the entity. Exposure exists if the Corporation's returns vary as a result of the performance of the entity.
- Where there exists a linkage between power and returns as described above. A linkage exists when the Corporation can use its power over the activities of the entity to generate returns for itself.

In the normal course of operations, the Corporation utilizes subsidiary and structured entities to facilitate the management of client assets:

(i) Subsidiary Entities

The Corporation establishes subsidiary entities as part of its investment strategy. In all cases, the Corporation holds 100% of the voting shares of these subsidiary entities. The Corporation has power over the relevant activities of these entities, is exposed to variability in returns from these entities, and uses its power to generate these returns. Accordingly, these entities are consolidated into the Corporation. However in all cases, these subsidiaries earn a nominal or no participating interest, and accordingly are not material to the operations of the Corporation.

(ii) Structured Entities

In the normal course of its operations, the Corporation establishes various structured entities, such as pooled investment portfolios and their subsidiary entities, through its role as investment manager. The Corporation's control over these entities is established either by regulation, or ownership of voting shares, or both. The Corporation has power over the relevant activities of the structured entities, however, in all cases, the Corporation has no exposure or rights to variability of returns in these structured entities. Accordingly, these entities do not meet the criteria for control and are not consolidated.

OUR EXTERNAL MANAGERS AND PARTNERS

AUDITORS
- Ernst & Young
- KPMG LLP

GLOBAL CUSTODIAN
- RBC Investment Services Trust

LEGAL ADVISORS
- Blake Cassels & Graydon LLP
- Garvey Schubert Barer
- Lawson Lundell LLP
- McCullough O'Connor Irwin LLP

MORTGAGES
- Bentall Kennedy
- CMLS Financial Ltd.
- Tricon Capital Group Inc.

PRIVATE PLACEMENTS
- Adams Street Partners, LLC
- Advent International Corporation
- AEA Investors LP
- Affinity Equity Partners Limited
- Apollo Management
- Archer Capital
- ArcLight Capital Partners, LLC
- BC Partners Limited
- The Blackstone Group L.P.
- Bridgepoint Capital Limited
- Brookfield Asset Management Inc.
- CAI Private Equity
- Callisto Capital LP
- Canaan Partners
- Cartesian Capital Group, LLC
- Cinven Partners LLP
- CVC Capital Partners Ltd.
- Energy Capital Partners LLC
- First Reserve Corporation
- FountainVest Partners (Asia) Limited
- Francisco Partners
- Fulcrum Capital Partners
- HarbourVest Partners, LLC
- Hellman & Friedman LLC
- Highstar Capital LP
- IK Investment Partners
- Kern Partners Ltd.
- Leonard Green & Partners L.P.
- Macquarie Group Limited
- MatlinPatterson Global Advisors LLC
- Merit Capital Partners
- Newstone Capital Partners, LLC
- Northstar Advisors Pte Ltd.
- Oaktree Capital Management, L.P.
- PAI Partners S.A.S.
- Penfund Inc.
- Polaris Partners
- TA Associates Management, L.P.
- Tailwind Capital Group, LLC
- Torquest Partners, Inc.
- TPG Capital, L.P.
- TPG Credit Management, LP
- Tricor Pacific Capital, Inc.
- TriWest Capital Partners
- Turkven
- Vanedge Capital Partners Ltd.
- Wayzata Investment Partners LLC
- Wellspring Capital Management LLC
- Yaletown Venture Partners Inc.

PUBLIC EQUITIES
- Aberdeen Asset Management Plc
- Acadian Asset Management LLC
- Acuity Investment Management Inc.
- Amundi Asset Management
- BlackRock Asset Management Canada Limited
- Connor, Clark & Lunn Investment Management Ltd.
- Corston-Smith Asset Management SDN BHD
- GE Asset Management Incorporated
- Intact Investment Management Inc.
- J.P. Morgan Asset Management
- Montag & Caldwell, LLC
- Oechsle International Advisors, LLC
- Pictet Asset Management Ltd.
- Pier 21 Asset Management Inc. / Carnegie Asset Management Fondsmaeglerselskab A/S
- Pyramis Global Advisors, LLC
- Pyrford International Ltd.
- QIEF Management, LLC
- RCM Capital Management LLC
- T. Rowe Price Associates, Inc.
- UBS Global Asset Management
- Van Berkom and Associates, Inc.
- Vontobel Asset Management, Inc.
- Walter Scott & Partners Limited
- Wellington Management Company, LLP

REAL ESTATE
- Apex
- Averton Developments (BC) Inc.
- Bentall Kennedy
- Brookfield Asset Management Inc.
- Delta Hotels Limited
- Doughty Hanson & Co.
- GWL Realty Advisors Inc.
- LaSalle Investment Management
- MGPA
- Parkbridge Lifestyle Communities Inc.
- Realstar Group
- SilverBirch Management Ltd.
- Songbird Estates plc
- TIAA-CREF Asset Management

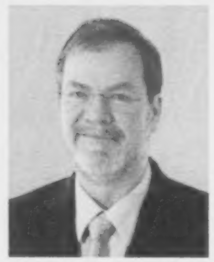
OUR CORPORATE OFFICERS

DOUG PEARCE
Chief Executive Officer / Chief Investment Officer

DEAN ATKINS
Senior VP, Mortgages

PAUL FLANAGAN
Senior VP, Fixed Income

MARY GARDEN
Senior VP, Real Estate



DARYL JONES
Senior VP, Research and Risk Measurement

BRYAN THOMSON
Senior VP, Equity Investments

LINCOLN WEBB
Senior VP, Private Placements

LYNN HANNAH
Senior VP, Consulting and Client Services

CAROL IVERSON
Senior VP, Human Resources

STEVE BARNETT
Chief Operating Officer

ROBERT DES TROIS MAISONS
Senior VP, Legal Affairs and General Counsel

SHAUNA LUKAITIS
Senior VP, Trade Management and Compliance

GINA PALA
Senior VP, Information Technology

DAVID WOODWARD
Senior VP, Finance

ECO-AUDIT
ENVIRONMENTAL BENEFITS STATEMENT

The bcIMC annual report is printed with vegetable-based inks, on paper that is made from 100 per cent post-consumer recycled content. The stock is manufactured with renewable, non-polluting, wind-generated electricity, and is sourced from certified suppliers that support the growth of responsible forest management. By using this environmentally friendly paper, bcIMC has saved the following resources:

trees	wastewater	solid waste	greenhouse gases	energy
20	36,264	291	802	9
fully grown	litres	kilograms	kilograms	million BTU's

Environmental impact estimates were made using the Environmental Paper Network Calculator.
For more information visit http://calculator.environmentalpaper.org

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We welcome your comments and suggestions on our annual report.

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